ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 190 Number 5868 New York 7, N. Y., Thursday, July 30, 1959 Price 50 Cents a Copy

EDITORIAL

As We See It

"I have been forced to the conclusion that the Federal Reserve authorities have reached a point in their thinking where they consider themselves immune to any suggestion or direction by Congress, let alone a simple expression of the sense of Congress. It appears that the fault of the suggested committee bill (for authorizing higher rates of interest on long-term government obligations but suggesting certain changes in Federal Reserve policy) was not that the language itself was wrong, but that the Congress dared even to speak to the Federal Reserve, a creature of Congress."—Sam Rayburn, Speaker of the House of Representatives.

We shall not undertake to decide whether this remarkable utterance of one of the most influential leaders in Congress represents merely an exaggerated concern for the prerogatives of Congress, a play for political popularity with his party and, perhaps, with the voters in his part of the country, or a warped notion of the functions of a central banking system and its relation to government in general. What we are certain of is that it had been much better left unsaid. What is really disturbing about it is the fact that it so neatly expresses the views and feelings of sections of the public whose ideas of a central bank are both crude and inaccurate and who are an eternal threat to a sound monetary and credit system in this country. It can hardly fail to lend aid and comfort to such elements.

Congressional Powers

Lest there be some misunderstanding, let it be conceded that Congress, with the cooperation

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How Will Atomic Energy Affect the Oil Industry?

By ROBERT E. WILSON*

Member of the General Advisory Committee to the United States Atomic Energy Commission
Retired Chairman of the Board, Standard Oil Co. (Ind.)

After providing an up-to-date assessment of atomic energy's prospects divided into subsidized and unsubsidized categories, Mr. Wilson contends the atom's impact on the U. S. and foreign oil industry will be negligible. For the U. S., he forecasts a tremendous and growing demand for liquid fuels for a long time to come without any threat emanating from atomic developments. As for developments abroad, Mr. Wilson sees: (1) under-developed countries becoming the last to employ nuclear power to good advantage; and (2) England and some other Western European countries outpacing us by five years in competitive progress.

A paper on the probable impact of atomic energy on the oil industry can hardly present any startling new facts, because many papers on similar subjects have been presented in the past ten years. Nevertheless, in view of widespread misapprehensions which are still current on the subject, and the rapidly changing technology of reactors for power production, it seems that there should be an up-to-date appraisal of the atomic energy situation by someone who has no particular axe to grind or no particular reactor design to promote.

Robert E. Wilson

In beginning such appraisal, it aids the perspective to go back a bit into history.

Two of the most dramatic facts of the twentieth century have been: first, the tremendous growth in world energy consumption; and second, the rapid shift in the sources

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*An address by Mr. Wilson before the Fifth World Petroleum Congress, New York City.

Profits Cannot Finance Wage Rises or Price-Cuts

By DR. ARTHUR O. SHARRON

Associate Professor of Economics
Duquesne University, Pittsburgh, Pa.

Poised as we are in a titanic cold war struggle, it would be tragic to use profits to finance wage increases and/or price cuts. In support of this, Dr. Sharron finds, for example, that steel wages grew from $90 billion in 1948 to $150 billion in 1958 whereas in comparison corporate after-tax profits went from $20 billion to $18 billion; that it would mean unequal pay for equal work or price differential for similar product with marginal firms seriously affected and labor hurt as the economy declines. Warning against the fallacious use of short-run data, the economist points out that current steel profits are no criteria of increased ability to raise wages. Rebuts the Keynesian and Marxist views on profits and savings.

Current demands of organized labor to push for wage increases at the expense of profits are both ridiculous and tragic. It is ridiculous because it cannot be done without resulting in a serious deterioration of the economic gains of labor. It is tragic because it endangers economic and political freedom for labor as well as for the country as a whole. While the nation is engaged in a titanic struggle against Soviet expansion, it is especially disheartening to have to oppose an attack, perhaps unwitting, against the key factor in a free society, namely, profits.

Prof. A. O. Sharron

The purpose of this paper is to explain why a controversy of wages versus profits is fraught with dangers to our Constitution and way of life so that all who would defend these can take heed and act accordingly. Americans did precisely this when they abandoned Government price controls and when

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 34.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

H. RONALD BROWN
Research Department
Stillman, Maynard & Co.,
Members: New York Stock Exchange
New York City

Warren Brothers Company

"Warren Brothers," principally engaged in paving roads and highways, has maintained substantial and consistent growth in sales and earnings over the past decade. The nation's need for newer and better roads, now being aided by the Federal Government, is expected to accelerate the company's future growth. The stock, now selling around 58 over-the-counter, looks definitely underpriced at only **9 times 1958 earnings and about 4 times cash flow.**

H. Ronald Brown

"Warren" is one of the country's leading builders of streets, highways, expressways, airfields, parking areas, and driveways. Paving operations, which account for approximately 90% of revenues, are built of Portland cement or bituminous products for public, industrial, and private use. "Warren" also supplies asphalt paving mixtures and ready-mixed concrete, and produces creosoted lumber.

The company and its 15 operating subsidiaries and affiliates are located throughout the U. S. and Canada, in Virginia, Missouri, Texas, Tennessee, Georgia, Kentucky, New Jersey, Alabama, Massachusetts, Oregon, California, British Columbia, Ontario, and Nova Scotia. "Warren" has worked on such projects as the Richmond-Petersburg Toll Road, the Maine Toll Road, the third tube of the Lincoln Tunnel, the Portland, Oregon, International Airport, and the Capehart Housing Project at Fort Knox.

The company now owns 75 asphalt paving plants of which approximately half are portable and can be moved to different sites from time to time, and the balance are permanent plants which serve, among others, the metropolitan areas of Atlanta, New Orleans, Knoxville, St. Louis, Dallas, Houston, Los Angeles, Syracuse, Newark, Richmond, Toronto, and Vancouver.

Over the past five years capital expenditures have totaled $14½ million, while depreciation charges amounted to $11.8 million. Depreciation charges each year are normally quite a bit higher than net income, so cash flow is substantial — profits last year equalled $6.33 for each of the 251,708 outstanding shares, **while cash flow totaled $15.24 a share.** The declining balance method of depreciation has been used since 1954.

"Warren's" operating record is one of consistent growth. Gross revenues, up in every year since 1949, have increased at an average annual rate of almost 13%. Earnings, **which have been growing at a rate of almost 9% a year,** increased from $2.78 a share in 1949 to $6.33 in 1958. The greatest amount of earnings growth has been in the more recent years—excess profits taxes kept earnings down in the 1950-53 period. Dividends have also moved up steadily, and are now at a $2 annual rate. An additional 5% in stock was paid early this year.

Incidentally, the company recently reported earnings of $1.10 a share for the first five months of 1959. This compares with a deficit of 16 cents per share in the comparable period of 1958.

"Warren's" growth has been based principally on expenditures for roads and highways. New highway construction expenditures last year were $5,350 million, up 151% since 1949, and are expected to be around $6,000 million this year, or 12% ahead of 1958. They were 22% ahead of the previous year for the first five months of 1959, so this estimate may well be too low. Besides new construction, the company benefits from the huge amounts spent for road maintenance and repairs, which totaled $2,110 million in 1957, the latest year for which figures are available. Both new construction and maintenance and repair expenditures have increased in each year since the end of World War II.

Can this rate of growth be maintained? In all probability it will be accelerated in future years. New highway construction has not kept pace with the increased number of cars on the road and the steadily increasing amount of traffic, with the result that roads in many areas are inadequate and outdated. Even if the Federal Government had not entered the picture, highway construction would probably have proceeded at a rapid rate, but with Federal Aid now available to the states more building will be compressed into a shorter period of time.

The Federal Aid Highway and the Highway Revenue Acts of 1956 provided for a 13-year construction program beginning in 1957 and running through 1969. The Federal Government plus the states, it is estimated, will spend about $100 billion for new roads over this 13-year period. This does not include the annual expenditure of $2 billion plus for maintenance and repairs. The Bureau of Public Roads estimated that highway spending would be $6.2 billion in 1958, $7.1 billion in 1959, $7.3 billion in 1960, $7.7 billion in 1961, $8.1 billion in 1962, and about $8 billion per year in 1963-69. This estimate has proved too optimistic to date because of delays in getting the program off the ground. In fact, funds allocated so far have been used to a large extent for engineering costs and acquisitions of right of way. However, actual construction has been accelerating and in the future construction costs will account for roughly 4/5 of road expenditures.

It is obvious that "Warren," with its national coverage, will benefit substantially for many years to come from this program. However, despite the company's excellent future growth prospects and past record of expansion; its capable, experienced management; and sound financial position, the stock is available at a very low multiple of earnings and cash flow. Future earnings progress should lift the price of the stock, and when the company becomes better known, it should sell at a higher ratio to earnings.

MILTON PAULEY
Troster, Singer & Co.,
New York City

Air Express International Corporation

A timely combination of events, both internal and external, appears now, more than at any other time in its 24-year history, to be contributing to a new and dynamic phase of development for **Air Express International Corp.** (O. T. C. 18). Decidedly, it is "The Security I Like Best" at this time and in my judgment is a candidate for substantial long term capital appreciation.

Milton Pauley

AEI is the world's largest forwarder, clearance broker and consolidator of international cargo, with an extensive network of offices and agents in 353 cities throughout the world. It provides the most comprehensive and complete service offered by any carrier, shipping cargo between the U. S. and the rest of the globe. It owns no planes of its own but uses the facilities of existing airlines.

If, however, AEI's business were only service, it would in essence not be too different from hundreds of other service businesses, though somewhat better perhaps because of the very rapid growth of air cargo at present and various predictions that air freight is scheduled to double and possibly quadruple in the 1960s.

It differs significantly, however, by reason of its unique potential in the field of cargo consolidation (and one on which the Company places much emphasis and hope): which essentially is the combining of many small shipments into a large shipment in order to get the benefits of lower rates accruing to volume cargoes. The spread, therefore, between "retail" rates and the "volume" rate is in effect shared with the shipper to induce him to ship through a consolidator (AEI, in this instance) rather than direct with the airlines. Both, it appears, benefit, and the airlines in reality encourage the practice; the shipper benefits by getting expedited handling at lower rates; the carrier benefits by avoiding the headaches as well as the expense of solicitation, billing, handling, forwarding, etc.

It is well to note that in order to engage in air consolidation, registration is required by the Civil Aeronautics Board and in addition that the direct carriers (the airlines) are prohibited by law from engaging in consolidation. The Company also entertains justifiable hopes of securing approval for the chartering of planes, considered a very profitable business and one which could add considerably to earnings. In prospect, also, is the strong possibility that the Government through its MATS program (Military Air Transport Service), which in some areas is in direct competition with private

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What Can Be Done to Improve Government Securities Market?

By MESSRS. ROBERT B. ANDERSON and WILLIAM McCHESNEY MARTIN, JR.*
Secretary of the Treasury, and
Chairman of the Board of Governors of the Fed. Res. System

The over-a-billion dollar per day over-the-counter dealer market in Government securities is found to be superior to an exchange, auction type of market by a recently concluded joint Federal Reserve-Treasury study. Nevertheless, the joint statement by Messrs. Anderson and Martin outline four areas requiring improvement which will be the subject of special, supplementary study. They are: (1) development of better statistical and other information program; (2) sounder credit standards—three approaches to which are given; (3) ending abuses in repurchase agreements; and (4) institution of a formal dealers' organization to perform specified responsible functions. Answering criticisms raised, the statement avers the existing market is highly competitive, does not operate against the public interest, and the small, odd-lot transactions are satisfactorily handled at a low cost partly subsidized by large transactions. It cautions that market reforms still leave untreated our basic problems.

At the hearing of the Joint Economic Committee earlier this year on the President's Economic Report, there was some discussion


Robert B. Anderson W. McC. Martin, Jr.

of the functioning of the Government securities market. The question was raised whether the market might not be more effective if it were a formally organized exchange or auction-type market, with maximum current publicity on transactions, rather than an informal over-the-counter dealer market, subject to more limited public observation.

As part of this current study of the Government securities market, accordingly, we not only raised this question with market participants but asked our study group to provide a special technical evaluation of the suggestion. The New York Stock Exchange also gave very careful consideration to the question and reported its conclusions to us.

A specialized market tends to develop in a particular form as the individual participants compete to serve more efficiently and economically the needs of buyers and sellers of the kind of security or commodity traded. The present market mechanism for Government securities has grown as a specialized market ever since World War I. Transactions in Treasury issues in the 1920's were carried out both on the New York Stock Exchange and through the over-the-counter dealer market. Even during the early 1920's, however, a steady decline in transactions on the auction market represented by the Exchange and a steady rise in the volume handled on dealer markets was taking place. By the mid-1920's, the dealer market was dominant and agency transactions of the Federal Reserve Bank of New York for the account of the Treasury were moved to the dealer market.

Only marketable Treasury bonds are listed on the New York Stock Exchange and this has been true throughout its history. Therefore, the introduction of the Treasury bill in 1929 and its subsequent development as the primary liquidity instrument of the money market — a development accelerated by war and postwar financial trends—further added to the importance of the over-the-counter dealer market. The growth in the Federal debt in the 1930's and during the war years, together with the broader participation of large financial institutions in the market greatly increase the size of typical market transactions in governments. Large transactions are more efficiently managed in a dealer-type market, and consequently the number of transactions that could be effectively handled through the auction mechanism of the Exchange continued to decline. By 1958 trading in government bonds on the Exchange had dwindled to an insignificant volume in comparison with trading in such securities in the over-the-counter dealer market.

Existing Market Found Effective

The standards of performance to be applied in evaluating the present dealer market are, of course related to the specific job which the market has to do as

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*From a joint statement relating to the Treasury-Federal Reserve Study of the Government Securities Market By Mr. Anderson and Mr. McChesney presented for the record in connection with Mr. Anderson's appearance before the Joint Economic Committee, Washington, D. C., July 24. [Ed. note: Government securities market speculation of a year ago has led to a joint three part Treasury-Federal Reserve study of current techniques and organization in that market. Part I has been published and the rest will be published shortly.]

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Regular Features

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
GEORGE J. MORRISSEY, Editor
WILLIAM DANA SEIBERT, President
Thursday, July 30, 1959
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).
Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613).

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.
Subscription Rates
Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $65.00 per year, in Dominion of Canada, $68.00 per year. Other Countries, $72.00 per year.
Other Publications
Bank and Quotation Record—Monthly, $45.00 per year. (Foreign Postage extra).
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

"Election Nerves" on the London Stock Exchange

By PAUL EINZIG

Despite the London stock exchange's "election nerves," equities have been able to resist election fears to a remarkable degree. In pointing this out, Dr. Einzig credits improvement in Wall Street, and discerns a greater critical awareness by the public of what labor's unceasing higher-wage-drive means in view of the past 12 months of price stability. The latter is believed to offer a more favorable election prospect for Macmillan which, Dr. Einzig suspects, will be held this fall. The columnist outlines what a Socialist-Labor victory would do to the stock market in terms of different procedures that could be used to take over industry depending upon which division of the Party takes over the reins of government.

LONDON, Eng.—During recent weeks the London Stock Exchange came from time to time under the disturbing influence of the growing probability of an autumn election. Yet an autumn election is by no means absolutely certain. Those who claim to be cocksure that the election will be held in October know more about it than the Prime Minister himself. He intends to take his final decision at the last possible moment in September, on the basis of the situation and prospects as they will appear to him at that moment. However, it does look highly probable that Mr. Macmillan will not risk deferring the election till the Spring of 1960, and that if prospects by September appear to be no worse than they are now he will take the plunge.

Paul Einzig

From the point of view of the economic situation as it appears at the time of writing, a decision in favor of an autumn election appears to be likely. For the first time since 1939 prices have been stable during the last 12 months. This in spite of the fact that considerable progress has been made, especially during the second half of the stable period, toward the recovery from the business recession of 1957-8. This means that the middle classes, grateful for the reprieve given to them by the present government from extermination through inflation, will use their full voting strength to support the government. It also means that Conservative working class voters—there were supposed to be some two million at the 1955 election—will not be frightened by unemployment fears into voting Socialist.

Growing Anti-Labor Resentment

What is perhaps even more important, the greed with which the trade unions are pressing forward with bigger and bigger wage demands in spite of the stability of the cost of living tends to reinforce the anti-Socialist feelings of that part of the electorate which does not benefit by this "wages spree." Hitherto the most popular argument in favor of wage claims was the rising cost of living, an argument which was difficult to disprove. Economists may well argue each other to standstill over the question whether wage increases were the cause or the effect of the higher cost of living. The general public does not understand the economic and statistical problems involved, and is instinctively inclined to sympathize with organized labor's efforts to safeguard itself against inflation, as a matter of self-revocation.

But now that prices are stable there is no excuse for wage demands on the ground of higher prices. It is true, each trade union can put forward arguments that it has not had its fair share of wage increases before the stabilization of prices. But the longer the stable period continues the less convincing such claims will sound. A stage may be reached when the cost of living argument will have to be dropped altogether.

The general public is at last becoming fully aware of the danger of this highly valued stability being upset by trade unionist greed and selfishness. In a recent broadcast talk Mr. George Woodcock, a leading member of the Trade Unions Council, complained about the growing unpopularity of the trade unions. His main argument against the criticisms of trade unions was that, after all, their members and dependants of members represent the majority of the nation. Even if this were statistically correct—which is open to doubt—a large proportion of trade union members—especially white-collared workers with a highly developed sense of civic responsibility—realize the disastrous effect the wage spiral is likely to produce in the long run. So it seems certain that the overwhelming majority of the British electorate is anti-inflationist. And since the Labor Party blindly supports all wage claims, right or wrong, the view that in order to check inflation the Conservative Government must be confirmed in office is gaining ground.

"Election Nerves" on the Exchange

Even so, as things are at present, the margin between Conservative victory and defeat appears to be very narrow. It is no wonder that the Stock Exchange is suffering from "election nerves." What is remarkable that up to the time of writing equities have been able to resist election fears to a relatively high degree. A downward trend toward the middle of July was followed by a partial recovery. This in spite of the reluctance of a great many people to risk maintaining their commitments on the eve of their annual holidays. Most people would be unable to enjoy their holidays if they had to watch the ups and downs of the Stock Exchange prices during such a critical period, and prefer to be out of it.

The explanation of the absence of stronger selling pressure is that the firmer tone in Wall Street provided a remedy for British election nerves. Even though there has been no evidence of a resumption of American buying of British equities on an appreciable scale—apart from the isolated exception of Ford shares—the mere psychological effect of the improvement in Wall Street was sufficient to offset to some extent the effect of election nerves.

The prospect of a Socialist Government is liable to affect prices on the London Stock Exchange. But the extent of this influence will largely depend on the outcome of the fight that is going on within the Labor Party between leaders who would prefer assuming control of industries through acquiring equities on the Stock Exchange and a substantial section of the rank and file who would prefer to revert to old-fashioned nationalization.

Gaitskell Stands for Moderation

If Mr. Gaitskell's policy should be confirmed at the annual Party Conference in October, it would mean a victory for moderation, in the relative sense of the term. It would also mean a steady buying pressure after a Socialist Victory, as a result of the gradual acquisition of equities by the Pension Fund and other official funds. If his opponents should succeed in obtaining a majority in favor of the policy of nationalization by compulsory acquisition of industries, it would mean a victory for the extremist wing of the Labor Party which itself would give rise to pessimism among investors. It would also mean that there would be no official buying of equities on the Stock Exchange by a Labor Government. The anticipated absence of such buying, together with fears that a Labor Government would pay less than adequate compensation for compulsorily acquired industries, would accentuate the election nerves of the Stock exchange.

So the extent to which an autumn election is liable to influence the Stock Exchange depends not only on election prospects, but also on the outcome of the coming Labor Party Conference at Blackpool. Investors and speculators are likely to follow its proceedings with close attention.

With R. J. Steichen

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—George J. Saunders has become connected with R. J. Steichen & Company, Baker Building.

Beecroft, Cole Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Glen L. Stewart has been added to the staff of Beecroft, Cole & Co., Columbia Bank Building.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Nonfarm housing starts rose to 136,000 in June, from 134,000 in May, according to preliminary estimates of the Bureau of the Census, U. S. Department of Commerce. A moderate seasonal decrease usually occurs between May and June. The June 1959 starts total for privately and publicly owned units was 20% greater than a year ago, and the highest recorded for June except in 1950.

The 131,200 privately owned dwelling units begun last month represented a seasonally adjusted annual rate of 1,370,000—up a little from the estimated rate of 1,340,000 for May, but somewhat below the seasonally adjusted rate of 1,390,000 for April. When averaged for the first six months, the seasonally adjusted annual rate of private starts in 1959 amounted to 1,378,000 units, compared with the relatively low rate of 989,000 for the same 1958 period.

By the end of June 1959, a total of 709,500 new private and public dwelling units had been put under construction, an advance of 32% over the first six months of 1958, and the highest for the period in any year. This year's private total (690,700 units) exceeded by 192,700 units the 1958 private total for the first six months.

Personal Incomes in June at the Rate of $382,900,000,000

The June income paid to the citizens of our country was monumental in size. For the June month, personal income accounted for no less than $382,900,000,000 a year or more than $1,500,000,000 more than the May payments. The Commerce Department stated that the rise was chiefly a reflection of higher wages and salaries due to stepped up hiring by industry and a lengthening work week in factories. It is expected that the steel strike, if it lasts long will cut the wage and salary payments for July. The half yearly average will drop when the next, or July report, is issued a month hence.

For the first half of 1959 personal income was estimated at an annual rate of $376,500,000,000, 6% higher than in the corresponding portion of 1958.

Living Cost Advances to New High

Government sources revealed that the cost of living advanced four-tenths of 1% in June, the sharpest increase in 15 months, to another record high. The Labor Department lays the rise to a normal seasonal increase. Little change is expected in July and no decline in August. The June advance raised the price index to 124.5% of the 1947-49 base period, or six-tenths of 1% higher than a year ago. The living cost means that 600,000 workers will receive wage pay raises in accordance with their union contracts.

Nationwide Bank Clearings 8.6% Above 1958 Week

Bank clearings this week will show an increase compared with a year ago. Preliminary figures compiled by the "Chronicle" based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, July 25, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 8.6% above those of the corresponding week last year. Our preliminary totals stand at $25,498,975,165 against $23,474,236,566 for the same week in 1958. Our comparative summary for the leading money centers follows:

Week Ended July 25—	1959	1958	%
New York	$12,958,130,440	$12,739,511,945	+ 1.7
Chicago	1,270,187,850	1,046,911,609	+21.3
Philadelphia	1,087,000,000	985,000,000	+10.4
Boston	763,162,947	717,349,210	+ 6.4

For a detailed summary of bank clearings in U. S. A. refer to the Statistical Edition of the "Chronicle," issued Mondays. For this week's summary, refer to page 47 of the Monday, July 27, issue.

June Construction Contracts Up in May But Below the June 1958 Peak

Construction contracts in the United States in June rose sharply over May on a seasonally adjusted basis, according to F. W. Dodge Corp., although they are still slightly below the all-time peak reached in June of last year.

The Dodge Index of total contracts reached 288 in June, as compared with 259 in May. The dollar value of contracts in June was $3,659,017,000, down 4% from June 1958.

According to the Dodge Vice-President and Economist, Dr. George Cline Smith, the decline of 4% on the year-to-year comparison was negligible, in view of the fact that June 1958 "was the highest month ever recorded, partly because of government stimulation of housing and highways as an anti-recession measure at that time. The current figure is almost as high, but without these special stimulants."

Settlement of Steel Strike Difficult Chore

The big problem facing steel strike peacemakers is how to get it settled without forcing up steel prices, according to "The Iron Age," national metalworking weekly.

"When you get right down to it," said "Iron Age," "That's what the strike is all about. In major part, at least. No one wants to see another steel price rise. But that's where agreement ends and argument begins."

The metalworking magazine said there are other issues in the strike, and they're all important: management rights, union power, steel earnings, worker productivity, foreign competition, the workers' share of the profit pie.

"But when you examine each one in detail," the magazine

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Observations . . .

By A. WILFRED MAY

MARKET DIVERGENCE GOES ON

As our record bull market rolls merrily onward and upward, the divergent price performance of individual issues and groups of issues continues to invalidate the concept of "the" market.


A Wilfred May

Despite the new dizzy tops the market averages are making daily, new low prices for the year on individual issues are constantly mingled with the new highs. On Tuesday of this week, for example, while the market averages were attaining new all-time peaks, 489 of the Big Board issues showed declines against 550 rises (with 234 closing unchanged). Nine stocks made new lows for the year, partially countering 68 new highs.

In the period from May 15 to June 15, while the leading market averages fell 2.5%, a total of 300 Stock Exchange issues rose, while 742 declined, with 31 unchanged. Of the gainers, 44 issues were up 10% and over, with 107 concurrently falling by that amount. In industry groups, we see the negative performance of the aircrafts ranged alongside the extraordinarily favorable action of the strike-threatened steels.

A technical analysis by Hemphill, Noyes & Co. of market action since the turn of the year is revealing. While their index comprising all stocks has been rising by 11.93% (the Dow-Jones Industrial Average has risen 14%), declines of 10.19% have been shown by the oils, 8% by the natural gas issues, 3.87% by the aircrafts, 2.3% by the cements, 1.1% by the installment finance companies, and a fractional decline by the public utility holding companies.

Showing the uncertainty of a definite *trend* concept is an analysis published in "Brevits," by Vance, Sanders & Company. The 1950-1958 action of the 500 common stocks that make up the Standard and Poor's Stock Average is broken down into the performance of the individual issues. Whereas the Composite Index rose 171%; gains of over 600% were shown by nine issues, of over 400% by 22 stocks and by over 200% by 77 issues. In the category of stocks under-performing the average were 202 issues rising less than 100%, and 61 stocks actually declining in value.

* * *

THE INFLATION HEDGES

Does not recent behavior of some industries cast doubts on the blandly assumed reliability of investments in them as inflation hedges? In the oil industry, in the face of the so well-recognized deterioration of the dollar, the wholesale price index of refined products, influenced by gasoline price wars, fell in 1958 by almost 10%, and even crude declined by 3%.

The net income of 32 leading oil companies, as compiled by the Petroleum Department of the Chase Manhattan Bank, showed a 1957-58 decline of 21%. Major factors ascribed as causing the decline in earnings, and in the subsequent market price of the industry's securities, were the lower crude and petroleum prices, and reduced profit margins.

Thus, the industrial elements still stand up unsubmerged by dollar depreciation.

Likewise, in the case of another "primary" raw material, copper, do we see the impact of over-production on the price tag. And joined to a price cut of one and a half cents a pound to the 30-cent level, leading producers are scheduling production cut-backs — to prevent a repetition of the price declines which occurred from 1956 through 1958.

And in the vulnerable agricultural price structure, we see another example of the lack of totality of the dollar-depreciation factor.

J. R. Williston Beane Opens Chicago Office

CHICAGO, Ill.—J. R. Williston & Beane, members of the New York Stock Exchange, have opened a branch office in Chicago under the management of Richard W. Lord. Robert L. Hylard will be associated with the new office as account executive, and Earnest E. Christiensen will be manager of the Commodity department. Mr. Lord and Mr. Hylard were formerly with Bache & Co.

Robert C. Brown Now With Allan Blair Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert C. Brown has become associated with Allan Blair & Company, 135 South La Salle Street. He was formerly in the municipal bond division of the Northern Trust Company.

Profits from Hot Air

By DR. IRA U. COBLEIGH

Enterprise Economist and Author of "How to Get Rich Buying Stocks."

A consideration of three interesting companies gleaning profits from the application of air and its components; and from the production, adaptation and uses of industrial gases.

Most of us think of air as just something to breathe or to pump into tires, balloons, footballs or rubber rafts. We seldom reflect upon what useful elements oxygen, nitrogen and hydrogen have turned out to be in our industrial society, and in the missile and rocket age. And they are money makers as well. Oxygen is essential in oxyacetylene and welding and cutting processes; neon gas lights our cities with signs and advertising; nitrogen becomes fertilizer; helium sustains in flight lighter-than-air craft; and oxygen and hydrogen, in liquid form, seem to be the rocket propellants of the future.


Ira U. Cobleigh

Air Reduction Co.

Long a leader in the technology of air and gases, Air Reduction Co., Inc., is a major industrial company with a magnificent history of earnings, and an unbroken record of dividend payments going back to 1917. Air Reduction majors in the production of oxygen and acetylene and apparatus and equipment for welding and cutting. Hydrogen and nitrogen are produced as well as certain much rarer gases such as argon, Krypton, xenon and neon. If you are lulled into surgical slumber, the anesthetic gas may be an Air Reduction product. The calcium chloride which keeps down the dust on the tennis courts at your club, and the dry ice you bring home ice cream in, may also be turned out at one of the company's 187 plants or centers of distribution in 185 cities in all but six of the connected 48 states. AN (NYSE trading symbol for the stock) produces about 30% of the American output of oxygen and acetylene gas; and ranks as a leading producer of dry ice. Research and development on liquid oxygen and certain inert gases is increasing AN's position in rockets, missiles and rare metals.

Since 1949 net sales of Air Reduction have risen from $89.5 million (1949) to $190 million in 1957. In the set-back year of 1958 net sales receded to $175.3 million. This year the company, according to President John A. Hill, should reach a record sales level of about $200 million; and a net substantially above the $3.47 a share reported in 1958 (our estimate is around $4). This is plenty of coverage for the $2.50 dividend; and there have been some board-room rumors (denied by management) about a possible stock split this year. The stock, currently selling at around 90, is an authentic blue chip and many investors are welded to it. There's also a $4.50 preferred which has rewarded its early purchasers well. It is convertible into 3¾ common shares and sells around 338! All the "reduction" in Air Reduction seems to be in its name; everything else about the company is expanding.

Air Products, Inc.

Another lively company in airs and gases is Air Products, Inc. This enterprise, launched in the postwar era, has advanced in annual net sales from less than a million in 1947, to $37.5 million last year. In the same period the market price of Air Products common has risen from a low of 2¾ (1949) to around 57 currently (over-the-counter).

A considerable investor interest was aroused in Air Products, Inc., by the disclosure (on May 11, 1959) by Lt. General Bernard Schriever, Commander of Air Research and Development Command of the U. S. Air Force that liquid hydrogen for rocket engines was in large scale production. Air Products, Inc., it was revealed, had an Air Force contract for over $10 million for production of liquid hydrogen in its plants at West Palm Beach and at Painsville, Ohio. Liquid hydrogen provides a 40% increase, over competing propellants, in the thrust of rocket engines.

Quite apart from this exciting development Air Product, Inc. has ranked as a leader in research design, production sale and lease of equipment for producing oxygen, acetylene, nitrogen, hydrogen and ethylene oxide. The company also sells gases in cylinders, makes air processing and rectifying equipment, and liquefied gas pumps. It has a 51% interest in Air Products, Ltd., a British company serving the British Commonwealth and much of Europe with oxygen generators and useful industrial gases in cylinders. There are 13 plants and divisional branches; and there's a new $6 million plant to be built at Grassmere, Pa., for the production of oxygen, hydrogen and argon in liquid form.

For 1958 (fiscal year ends September 30th) while net sales reached a new high, net profits were lower due to a three month strike affecting two plants. This year for the six months ended March 31st, net was 88c a share on the 1,206,732 shares outstanding. $11½ million of long-term debt and $6.7 million in secured notes precede the common on the balance sheet.

Air Products, Inc. has paid common dividends since 1954, the present rate being 20c per share. A larger cash payout does not appear probable since the company needs to retain substantial funds for expansion purposes. Air Products common is a lively and romantic equity which should in due course, earn substantially more than the $1.4 million net reported last year.

The Clute Corporation

A third and much smaller company is The Clute Corp., organized in 1957 to take over the business of Clute Manufacturing Co., for the 30 years preceding a designer and producer of air equipment. Clute Corp. today owns the patents covering the Clute Air Separation Process by which cyclonic air action, induced by suction, operates through tubes and bins to transport, classify, size and refine grains, minerals or other materials. Clute air equipment is now used in every beet sugar factory in the U. S. and Canada, making them dust-free. The company's mobile grain cleaners sell for around $3,000 apiece. These perform an interesting service—getting the dirt and dust out of grain. Somewhere between 3% and 10% of the weight of all the grain purchased by Commodity Credit Corp. is dirt. Imagine the saving to Uncle Sam, and to us taxpayers, if we could eliminate the dirt we're paying for out of the multi-billion dollar government grain purchases made each year! Clute may have the answer. It makes $150,000 grain mills as well as the mobile cleaners aforementioned.

The Clute process also improves the recovery of mica and asbestos from ores; and in doing this mining process work Clute managed to acquire a 77% interest in Asbestos Bonding Corp., which has a 99 year mining lease on one of the largest asbestos deposits in the U. S. located 18 miles from Napa, Calif. Clute also has 15% interest in a sizable mica mining and mill property in New Mexico.

Put all together, The Clute Corp. represents an interesting combination of air process technology, research and products plus substantial and valuable mineral holdings. The company is small, early-phase and eager. Equity is represented by 1,200,000 common shares quoted over-the-counter at around 6¾. Because operations, on a consolidated basis, have only been conducted for a few months annual earnings have not been presented. The shares are a speculation but might merit a more detailed study and analysis by members of the more sporting and risk-taking wing of board-room aficionados.

Other Candidates

Others in the air business we didn't have time to cover today would surely include such as **Ingersoll-Rand** and **Chematron Corp.** (formerly National Cylinder Gas). In any event, hot air, which has few friends when applied oratorically or conversationally, can make both friends and money if applied by the right corporate enterprises.

Do We Need Another Federal Reserve Bank and District?

By CLIFTON H. KREPS, JR.*
Wachovia Associate Professor of Banking
University of North Carolina

Noting that the admission of Alaska and Hawaii as new States has revived the proposal to add another Reserve Bank and District, opposes it as incongruous with the primary purposes of the System. Insists we do not need any additional Federal Reserve Banks and Districts, maintaining that we are presently equipped to provide adequate central banking service throughout the country. Points out that the FRB banks have adapted a high degree of adaptability in meeting the local needs of their respective Districts for central-banking service —a happy state of affairs that should be continued.

Less than a year ago, in anticipation of the admission of the new State of Alaska to the Union, Senator Warren Magnuson of Washington introduced a bill into the Congress to increase the number of Federal Reserve Banks and Federal Reserve Districts from the present 12 to 13.[1] The Congress did not act on Senator Magnuson's bill and the Federal Reserve System itself opposed it.

Clifton H. Kreps, Jr.

Subsequently, however, not only has Alaska been admitted to the Union as a new State, but Hawaii has been voted statehood as well. The prospect of not one but two new States has revived interest in the question of whether the existing number and boundaries of Federal Reserve Districts are the most appropriate ones in view of our geographically-enlarged nation's needs for central banking service.[2]

In order to evaluate effectively the arguments for and against an additional Federal Reserve Bank and District, however, it is necessary first to understand how we got the ones we already have. That is: *How were the number and boundaries of the present Federal Reserve Districts determined?* This is the question to which we shall first address ourselves, in the hope that the answer to it may provide a useful historical "backdrop" against which the arguments for and against an additional Federal Reserve Bank and District may then be assessed.

The Regional Idea

According to one close observer of the Congressional scene at the time the Federal Reserve Act was passed, ". . . nothing had been so fiercely fought in Congress . . . as the division of the country into several banking districts in each of which there should be a separate and independent institution."[3] Controversy was sharp as to whether there should be four, eight, 12 or some other number of regional central banks. As finally passed late in 1913, The Federal Reserve Act provided for "not less than eight nor more than 12" Federal Reserve Banks and Districts.

The regional idea was therefore fundamental in the intent of Congress with respect to the organization of the Federal Reserve System. Proponents of this regional plan of organization based their advocacy of it on the presumed existence of wide diversities of banking needs throughout the country, which no one central bank could service. They argued further that the regional plan of organization would provide adaptation of banking service to regional characteristics, thus serving local needs most effectively. The regional plan seems also to have possessed the political virtue at the time of serving to allay local jealousies of "Wall Street" and "the eastern money power." It has been authoritatively maintained, for example, that "Undoubtedly, one deep-seated motive behind the Federal Reserve legislation was a decentralization of the money power centering in New York."[4]

The Reserve Bank Organization Committee

The Federal Reserve Act provided for a "Reserve Bank Organization Committee," consisting of the Secretary of the Treasury (W. G. McAdoo), the Secretary of Agriculture (D. F. Houston), and the Comptroller of the Currency (John Skelton Williams), to designate Federal Reserve cities and to divide the country into Federal Reserve Districts. Districts were to be apportioned "with due regard to the convenience and customary course of business" and were not required to be coterminous with any State or States. The Federal Reserve Board, when organized, was granted the power to review the Organization Committee's determinations, to adjust the boundaries of the districts, and to create new districts provided that the total number of districts did not exceed 12 in all.[5]

The Organization Committee held public hearings in 18 leading cities, at which representatives of more than 200 cities were heard. Thirty-seven cities asked to be designated as the headquarters of a Federal Reserve bank.[6] Twelve cities (the maximum permissible number) were finally selected.[7]

Considerations Guiding the Organization Committee

In apportioning the country into 12 Federal Reserve districts, a primary aim of the Committee was apparently to create a certain degree of equality of strength among districts, rather than to allow the New York district to overshadow weaker districts. Since the Federal Reserve Act fixed the minimum capital of a Reserve bank at $4 million, to be subscribed by member banks on the basis of 6% of their capital and surplus, attainment of this aim required that the size of the districts be inversely proportional to the number and strength of the banks contained in them. Otherwise, even rough equality of strength as between districts would have been impossible. Thus the southern and western districts, where banks were small and few in number, had to embrace territories which were broad relative to the size of northern and eastern districts, where banks were larger and more numerous.

In its decision, the Organization Committee stated six considerations by which it had been guided in choosing cities and deciding on district boundaries. These were:

(1) The ability of member banks within the districts to provide the minimum capital required for the Federal Reserve banks.

(2) The mercantile, industrial, and financial connections existing in each district and the relations between the various portions of the district and the city selected for the location of the Federal Reserve bank.

(3) The probable ability of the Federal Reserve bank in each district to meet the legitimate demands of business, whether normal or abnormal, in accordance with the spirit and provisions of the Federal Reserve Act.

(4) The fair and equitable division of the available capital for the Federal Reserve banks among the districts created.

(5) The general geographical situation of the district, transportation lines, and the facilities for speedy communication between the Federal Reserve bank and all portions of the district.

(6) The population, area, and prevalent business activities of the district, whether agricultural, manufacturing, mining, or commercial, its past record of growth and development, and its future prospects.

Criticisms of the Organization Committee's Work

In general, the above criteria appear to have been considered satisfactory at the time by close observers. The Committee suffered criticism, however, because of the manner in which it applied (or failed to apply) them.[8] Charges of political favoritism were especially rampant. Of these, it has been stated that "There was evidence . . . that the Committee, while for the most part exercising sound banking judgment, was not wholly indifferent to political and personal considerations in some cases."[9] Other critics were less restrained and more specific, alleging that Comptroller of the Currency Williams (a member of the Organization Committee) was well known to have done his utmost to further the claims of Richmond, that the influence of Senator Hoke Smith, of Georgia, was instrumental in causing Atlanta to be chosen, and that Cleveland received more favorable consideration than might have been the case had it not been the home of Secretary of War Baker.[10]

Evaluation of the Criticisms

Allegations similar to those noted resulted, on April 10, 1914 (eight days after its decision was made public) in the Organization Committee's issuing a rejoinder to its numerous critics, in which it devoted special attention to its reasons for choosing Richmond and failing to choose New Orleans as a site for a Federal Reserve Bank. Later, the Committee presented a formal reply to a Senate resolution of April 14, 1914, requesting "copies of all briefs and written arguments made by each city . . . and the reasons relied upon by the Organization Committee . . ."[11]

These documents neither prove nor disprove, in any conclusive fashion, the various charges of political and personal favoritisms that were made. And at this late date, it seems unnecessary to be unduly concerned with estimating the probability of truth in those charges. The experience of 45 years of Federal Reserve operation has demonstrated that the Committee's decision, however motivated, provided a "workable" solution to the problem the Committee was charged with solving. Operating as it did in a young and still rapidly developing economy, the Organization Committee enjoyed a wide "margin of error" in reaching its conclusions. Quite possible, any "reasonable" decision the Committee might have reached would have provided at least a tolerable solution to the problem, and might have provided just as workable a solution as the Committee's actual decision did.

For example, any number of Reserve Districts within the permissible range of from eight to 12 would probably have worked just as well, since the Reserve Banks have made extensive use of their power to sub-divide Districts and establish branches. Moreover, with the exception of New York and possibly Chicago and San Francisco, all the Reserve Banks might just as well have been located in other cities than the ones in which they were finally put: in Providence, instead of Boston, for example; in Pittsburgh, instead of Philadelphia; in Cincinnati or Detroit, instead of Cleveland; in Baltimore or Charlotte, instead of Richmond; in Birmingham or New Orleans, instead of Atlanta; in Louisville or Memphis, instead of St. Louis; in Helena, instead of Minneapolis, in Oklahoma City or Omaha, instead of Kansas City; or in Fort Worth or Houston, instead of Dallas. In fact, branches of the Federal Reserve Banks have subsequently been established in most of these "alternate" cities. In all probability, it would have been just as workable to have put the Banks initially where the branches were put subsequently, and then to have put the branches where the Banks now are.

The "Centralization" of the Central Bank

The essential points to be kept in mind in this connection are three: (1) Through their ability to "branch," the Federal Reserve Banks have proved extremely adaptable and flexible in meeting the local needs of their Districts for central banking service. (2) As transportation and communications facilities have improved, and our economy has become more unified, regional and local economic and financial diversities have become much less wide, and consequently much less significant. And finally, (3) over the years and for good and sufficient reasons, the central bank has become much more "central" and much less "regional" in character. Thus in a real sense today, the 12 Federal Reserve Banks themselves function *primarily* as "branches" of our *national*, central-banking organization, the Federal Reserve System, and only very secondarily as regional institutions serving predominantly local needs. I view this as an eminently desirable state of affairs, and would not have it otherwise. But what are its implications with respect to our possible need for another Federal Reserve Bank and District?

Do We Need Another Federal Reserve Bank and District?

In general response to this question, I submit the view that we do not need *any* additional Federal Reserve Banks and Districts. The present 12 Banks and their 24 branches, plus additional branches that may be easily established if and as required, are sufficient to provide adequate central banking service to any and all sections of the country.

Let me try to clarify this answer by specific reference to the proposal in Senator Magnuson's bill that a 13th Federal Reserve District be created that would include the new State of Alaska plus additional territory "carved out" of the existing 12th District (the State of Washington and presumably the States of Oregon and Idaho as well) and that would be served by a new "Federal Reserve Bank of Seattle."

Certainly the strongest arguments favoring the creation of an additional Federal Reserve Bank and District are those holding that an existing Federal Reserve Bank, plus its branches, is unable to serve its existing territory adequately because: (1) the territory is geographically too large; (2) the banks in the territory are too big; or (3) the banks in the territory are too numerous.

Is the Existing 12th Federal Reserve District Too Large?

With the new States of Alaska and Hawaii added to it, the 12th Federal Reserve District will be geographically the largest Federal Reserve District by far. Yet in view of the facilities for speedy communication and transportation that now exist throughout our country, the argument that the 12th District will be too large appears to have very little force. With all our modern communication and transportation facilities at its disposal, the Federal Reserve Bank of San Francisco, through its head office and its branches in Seattle, Portland, Los Angeles, and Salt Lake City, certainly is able to render, does render, and will continue to render adequate and efficient central-banking service—and here we have special reference to check-clearing and collection service and the service of holding reserve balances for member banks—to any and all parts of its broad territory. Thus the argument that the 12th (or any other) Federal Reserve District is too large must in the final analysis derive its force from some other base. But what remains? Only the proposition that, because the District is so large, regional diversities in banking needs *within the District* are not being adequately recognized by the central bank.

This is a dubious proposition at best, and I seriously doubt its

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*An address by Professor Kreps to the Mid-Management Groups of the Carolinas Bankers Conference, July 9, 1959.

1 S. 4298, 85th Congress, 2nd Session, introduced Aug. 14, 1958. In addition to providing for a 13 Federal Reserve Bank and Federal Reserve District, the bill specified that "When the State of Alaska is admitted to the Union, the Federal Reserve Districts shall be readjusted . . . in such manner as to include such State and Seattle, Washington, shall be designated as the Federal Reserve city for the district which includes the State of Alaska."

2 Both the new States of Alaska and Hawaii will be included in the 12th Federal Reserve District, served by the Federal Reserve Bank of San Francisco. In fact, Alaska was added to the 12th District as of Jan. 3, 1959, and Hawaii presumably soon will be.

Even without the addition of two new States, the 12th District is geographically the largest of the Federal Reserve Districts, encompassing the whole Pacific Coast region and extending eastward to the Colorado-Utah line.

3 H. Parker Willis, *The Federal Reserve System* (New York: 1923), p. 561.

4 Ray B. Westerfield, *Money, Credit, and Banking* (New York: 1938), pp. 373-4.

5 The Board has adjusted the boundaries of districts in several cases. Since the Committee decided on twelve districts in the beginning, however, the Board has never had the actual power to create new districts.

6 *Decision of the Reserve Bank Organization Committee Determining the Federal Reserve Districts and the Location of the Federal Reserve Banks* (Washington: 1914).

7 During the hearings, an intense local jealousy among candidate cities was apparent. Willis, for example (*op. cit.*, p. 565), states: "As the Organization Committee pursued its travels, it found the local business and financial community in nearly every part of the country organized for the purpose of 'getting' a federal reserve bank. Had the twelve institutions permitted by the law been ten times as numerous as they were, they would hardly have sufficed to supply the demand that thus made itself felt."

The Committee's decision to establish the maximum number of districts and banks was apparently influenced by a desire to allay this local jealousy as much as possible. Appeals by Pittsburgh and Baltimore to be made Federal Reserve cities (in place of Cleveland and Richmond, respectively) were later denied by the Federal Reserve Board on the ground that it had no power to change the Committee's designation of cities. See Westerfield, *op. cit.* p. 376.

8 The Committee did not particularize in its decision as to which reasons predominated in the choice of specific cities and in the determination of boundaries of specific districts. Thus one must draw his own conclusions as to the degree in which the enunciated criteria were followed in practice.

9 Westerfield, *op. cit.*, p. 376.

10 Willis, *op. cit.*, pp. 585-8.

11 *Letter from the Reserve Bank Organization Committee transmitting the briefs and arguments presented to the Organization Committee of the Federal Reserve Board relative to the location of reserve districts in the United States.* Senate Document 485 (63rd Congress, 2nd Session). 1914.

validity. Regional diversities in banking needs may have been significant from the standpoint of central-bank organization in 1914, when the Reserve Bank Organization Committee was conducting its deliberations, but they are certainly not significant from this standpoint today. Our central bank has not over the years become less "regional" and more "central" in its orientation by accident. Rather, it has done so in response to changing economic conditions, reflecting our nation's development of a highly-articulated and truly *national* economic and financial system, in which regional and local diversities in financial structure and banking needs have tended, if not to disappear completely, at least by now to become inconsequential as a basis for central-bank action.

We cannot conclude, then, that the 12th or any other Federal Reserve District is geographically too large. Is it possible, however, for the banks in a given District—say the 12th — to be either too large or too numerous for the Federal Reseve Bank to "service" them effectively?

Are the Banks in the 12th District Too Large or Too Numerous?

We will recall that one reason why the Reserve Bank Organization Committee made the 12th District geographically so large to begin with was the fact that, in deciding on District boundaries, the Committee was guided by "the ability of member banks within the districts to provide the minimum capital ($4,000,000) required for the Federal Reserve Banks." Thus initially, the size of the Districts was inversely proportional to the number and strength of the banks contained in them. And in the 12th District was made the largest District to begin with because, relative to the rest of the country, its banks were the smallest and fewest in number.

In subsequent years, the area included in the original 12th District has developed economically at a relatively more rapid rate than the rest of the country. Also, one new State—Alaska—has recently been added to the District, and another new State—Hawaii—soon will be. Do these later developments require some downward readjustment in the size of the 12th District, to be accomplished by the creation of a new, 13th District?

Again, the answer seems to be "no." In terms of the size (total assets) of its member banks, the 12th District is not the "largest" District, but only the third largest. At the end of 1958, the total assets of member banks in both the 2nd (New York) and 7th (Chicago) Federal Reserve Districts exceeded the total assets of member banks in the 12th District. Nor is the Federal Reserve Bank of San Francisco the largest Reserve Bank. Reflecting the asset-distribution picture shown above for member banks, both the Federal Reserve Banks of New York and Chicago are larger.

How about numbers of banks? Because state-wide branch banking is both permitted and extensively practiced in the Far West, the 12th Federal Reserve District does have the largest number of *banking offices* of any Federal Reserve District. By way of contrast, however, and again arising in part from the extensive practice of branch banking, the 12th District has *the smallest number of operating commercial banks* of any District.

The addition of the new States of Alaska and Hawaii to the 12th District will not change the above picture in any material way, since in neither state are banks either very large or very numerous. What, then, is "the moral of the story?" If there is one, it would seem to be that, if the commercial banks of an area practice branch banking extensively, there is no reason why the central bank should not do likewise. And in effect, of course, this is just what the Federal Reserve Bank of San Francisco has already done. It now operates four branches — the largest number of any Federal Reserve Bank — and there is no reason why it should not add another, or others, if the course of action appears necessary to "accommodate" the new States of Alaska and Hawaii, and thereby to enable the Bank to continue rendering effective central-banking service to its larger geographical territory.

Summary

Now let us try to summarize the arguments we have advanced and the conclusions we have reached with respect to the question: *Do we need another Federal Reserve Bank and District?*

(1) We do not need *any* additional Federal Reserve Banks and Districts.

(2) The "regional idea" was clearly dominant in the original organization of the Federal Reserve System. Yet this regional idea might have been expressed just as well by any number of other particular "solutions" as by the one the Reserve Bank Organization Committee finally reached. And in any event, over the years our central banking mechanism has become much more "central," and much less "regional," in character, as a reflection of the way our economy has developed. Thus today we can no longer justify adding another Federal Reserve Bank and District on the grounds that they are needed to meet regional diversities in banking needs.

(3) Neither does any other reason appear to provide sufficient justification for adding another Federal Reserve Bank and District. With reference to the specific proposal that a 13th Bank and District be created, for example, to serve the new State of Alaska plus part of the territory of the existing 12th District, such a course of action cannot be justified on grounds that (a) the 12th District is geographically too large (though it is geographically the largest District), or (b) the 12th District's banks are either too large or too numerous (though it does have the largest number of banking offices of any District). And no other adequate grounds appear to exist.

(4) In final summary, then, no additional Federal Reserve Banks and Districts are needed now, or would apear to be needed in the future. There is nothing sacred or inviolable about the present organizational structure of the Federal Reserve System; indeed, we have indicated that it might just as well have been organized differently than it was. But starting from the way it *was* organized, and while the Federal Reserve System collectively was evolving into a *national* central-banking mechanism, the Federal Reserve Banks individually have demonstrated a high degree of adaptability and flexibility in meeting the local needs of their respective Districts for central-banking service. We know of no reason why this happy state of affairs should not continue; and we believe, moreover, that it will.

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Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Burnham View — Monthly Investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available in current Foreign Letter.

Canadian Market at midsummer—Report—Saunders Cameron Limited, 55 Yonge Street, Toronto 1, Canada.

Japanese Stock Market — Study of changes in postwar years—In current issue of "Nomura's Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also available is a review of the outlook for Plant and Equipment Expenditures in Japan for 1959 and brief analyses of **Mitsubishi Heavy Industries, Nippon Flour Mills Co., Iwaki Cement Co.** and a survey of the **Steel Industry.**

Japanese Stocks—Current Information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

New York City Bank Stocks—Quarterly report—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Comparison and analysis of 12 banks—Laird, Bissell & Meeds, 120 Broadway, New York 5, New York.

New York City Bank Stocks—Comparative figures at June 30, 1959—The First Boston Corporation, 15 Broad Street, New York 5, N. Y.

New York City Bank Stocks—Review—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **Duffy Mott Company.**

Northern New Jersey Banks—Comparative figures on leading banks and trust companies—Parker and Weissenborn, Incorporated, 24 Commerce Street, Newark 2, N. J.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 20-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Over-the-Counter Stocks—Selected list of 20 issues—George, O'Neill & Co., Inc., 30 Broad Street, New York 4, N. Y.

Plywood Industry—Analysis—Peter Morgan & Co., 149 Broadway, New York 6, N. Y.

Retail Stores—Review—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **ACF Industries, Inc., Continental Insurance Company, U. S. Pipe & Foundry** and a list of **Preferred Stocks** for income.

Selected Issues—In various categories in the July issue of "Pocket Guide"—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Selected Securities—List of issues which appear attractive—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Ungava-Labrador — Review — Bank of Nova Scotia, Toronto, Canada.

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Airtek Dynamics, Inc.—Study—S. D. Fuller & Co., 26 Broadway, New York 4, N. Y.

American Machine & Foundry—Report—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are reviews of **Delaware, Lackawanna & Western Railroad, Glidden Company** and **St. Regis Paper.**

American Seal-Kap Corporation—Analysis—Blair & Co., Incorporated, 20 Broad Street, New York 5, N. Y.

Assembly Products Inc.—Study—Straus, Blosser & McDowell, 111 Broadway, New York 6, N. Y.

Borg-Warner Corp.—Report—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y. Also available is a reveiw of **New York City Banks** for the first six months of 1959.

Bridgeport Brass—Review—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also in the same circular are analyses of **Chase Manhattan Bank** and **United Merchants and Manufacturers.**

J. I. Case Co.—Analysis—Bregman, Cummings & Co., 74 Trinity Place, New York 6, N. Y.

Charles Bruning Company Inc.—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Colgate-Palmolive Company—Report—Thomson & McKinnon, 2 Broadway, New York 4, N. Y. Also available is a report on **Texas Pacific Land Trust.**

Crouse Hinds Co.—Memorandum—Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

Ducommon Metals & Supply Co.—Analysis—Bateman, Eichler & Co., 453 South Spring Street, Los Angeles 13, Calif.

Electro-Voice Inc.—Analysis—Eastman Dillon, Union Securities & Co., 15 Broad Street, New York 5, N. Y. Also available is a report on **Reeves Bros.**

General Refractories—Analysis—Lubetkin, Regan & Kennedy, 30 Pine Street, New York 5, N. Y.

Harshaw Chemical Company—Analysis—Schweickart & Co., 29 Broadway, New York 6, N. Y.

Hermetic Seal Corporation—Report—R. G. Williams & Co., Inc., 149 Broadway, New York 6, N. Y.

Home Telephone and Telegraph Company of Virginia—Report—Dayton Company, 7245 Southwest 57th Avenue, South Miami 43, Fla.

International Harvester Co.—Memorandum—R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y.

International Nickel Co. of Canada — Memorandum — Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Jefferson Lake Petrochemicals—Report—John R. Maher Associates, 32 Broadway, New York 4, N. Y.

Joy Manufacturing Company—Report—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

McQuay, Inc.—Report—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available is a report on **Cutler Hammer, Inc.**

Montgomery Ward & Co., Inc.—Data—Hornblower & Weeks, 40 Wall Street, New York 5, N. Y.

Nationwide Life Insurance Co.—Bulletin—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Oglebay Norton Company—Analysis—J. N. Russell & Co., Inc., Union Commerce Building, Cleveland 14, Ohio.

Portable Electric Tool—Analysis—J. P. O'Rourke & Company, Board of Trade Building, Chicago 4, Ill.

Reeves Brothers—Report—Edwards & Hanly, 100 North Franklin Street, Hempstead, N. Y.

Richardson Company — Analysis — H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is a memorandum on **Botany Industries, Inc.**

Sawhill Tubular Products Inc. — Memorandum — McDonald & Co., Union Commerce Building, Cleveland 14, Ohio.

Sundstrand Corp.—Memorandum—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill.

James Talcott, Inc.—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a memorandum on **Southern Materials.**

Tampa Electric Co. — Report — Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

Telecomputing Corporation — Analysis — Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

United Shoe Machinery Corporation—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of the market at the half-way mark.

Upjohn Company—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Wagner-Lambert Pharmaceutical Company — Analysis — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also available is a report on **Pechiney** (French chemical company) and a memorandum on **Arkansas Louisiana Gas Co.**

Zale Jewelry Company—Bulletin—De Witt Conklin Organization, Inc., 120 Broadway, New York 5, N. Y. Also available is a bulletin on **Empire Petroleum Company.**

Atterbury Elected At James Talcott, Inc.

The election of Boudinot P. Atterbury as Assistant Vice-President of James Talcott, Inc., one of the country's oldest and largest

B. P. Atterbury

independent commercial financing and factoring organizations, has been announced by James Talcott, Chairman, and Herbert R. Silverman, President.

Mr. Atterbury joined Talcott as house counsel in 1956 and organized the firm's legal department. He was elected an Assistant Secretary of the company in late 1957. Previously, he had been associated with two New York law firms, DeBevoise, Plimton & McLean and Milbank, Tweed, Hope & Hadley, and also served as an Assistant U. S. Attorney, prosecuting Federal criminal cases.

Talcott, founded in 1854, is engaged in all phases of industrial finance—accounts receivable and inventory financing, mortgage, equipment and special loans, factoring, industrial time sales financing and rediscounting.

John H. Jackson With Spencer Trask & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John H. Jackson has become associated with Spencer Trask & Co., 135 South La Salle Street. Mr. Jackson who has been in the investment business for many years was formerly with Wallace, Geruldsen & Co. Prior thereto he was Chicago Manager for the Milwaukee Company and was Manager of the municipal department for Lehman Brothers in Chicago.

H. T. Greenwood Co. To Admit Partner

PHILADELPHIA, Pa. — On August 1, John R. Huhn III will be admitted to partnership in H. T. Greenwood & Co., 1401 Walnut St., members of the Philadelphia-Baltimore Stock Exchange. On the same date Walter J. Devine, Jr. will retire as a general partner.

General Secs. Opens

General Securities Co., Inc. is engaging in a securities business from offices at 101 West 57th Street, New York City. Officers are Nicholas J. Papadakos, president; William Djinis, vice president; and Orestes G. Verry, secretary-treasurer.

From Washington Ahead of the News

By C. BARGERON

There is the general impression on Capitol Hill that President Eisenhower was given some wrong figures that caused him to veto the housing bill. This is not only the belief of the Democrats but of Republicans as well. Senator Capehart, of Indiana, who is the ranking Republican on the Housing Sub-Committee of the Senate Banking and Currency Committee, shares this belief. He voted for the housing bill when it first came before the Senate.

Carlisle Bargeron

In vetoing the bill Mr. Eisenhower said the housing administration had left-over authority for 100,000 housing units for which there had been no applications.

The bill, with Mr. Eisenhower's veto message, is now back before the housing Sub-Committee which is trying to make up its mind whether to pass a new bill; a bobtailed bill to take care of the housing situation until next year; or try to pass the original housing bill over Mr. Eisenhower's veto.

The committee has had a parade of Democratic governors and mayors who have testified that, instead of there being any housing funds on hand, that aside from all the authorizations that are pending, they have about 40,000 applications on hand.

All of Mr. Eisenhower's subordinates who have been before the committee have said they had nothing to do with the veto message. The Budget Bureau said this, and Norman Mason, head of the Housing and Home Finance Agency, said neither did he have anything to do with it. The committee is having a time finding out just who was responsible for the figures and some of the statements that went into the message.

For example, Mr. Eisenhower said that the big states could gobble up all the money for urban renewal. Senator Capehart quickly pointed out that each state was limited to 12½%.

The truth of the matter is that President Eisenhower dislikes public housing, understandably so, and is fighting it. But it is contended that if there is to be urban renewal homes must be built to take care of the people replaced when the slums are torn down.

In Mr. Eisenhower's general dislike of the principal of public housing he is believed to have been drawn into some exaggerated and inaccurate statements.

The omnibus housing bill is a bulky thing and the committee puts a lot of work into it. They thought they brought out a reasonably good bill at first. It had compromises and it was sought to accommodate it to the President's wishes. But he turned out not to be in a compromising mood. The committee is put-out that it has to go over the whole thing again.

Labor leaders appeared before the committee Tuesday and Wednesday and, along with the Democratic mayors and governors, they urged that the veto be overridden. There is a strong hope among the committee members that this can be done in the Senate. The House is another matter.

The impact of the President's proclamation of "Captive Nations Week" on July 17 has been little short of amazing. Its ultimate effect remains to be seen, but to date it has caused (1) a bitter, emotional and surcharged response from the Soviet Union; (2) bewilderment and an almost personal sense of chagrin among diplomats representing the so-called satellite nations of Central and eastern Europe; (3) surprise among Western and neutralist diplomats in Washington that the United States chose so tense a time, with the Geneva conference in session and with the Vice-President in Moscow to exacerbate an old issue; (4) amazement among America newspapermen that a resolution of Congress reemphasizing a stand known to be United States policy since 1945 should be taken so seriously by Communist governments.

Mr. Eisenhower's position is that all he did was to carry out the resolution passed by Congress which set the week for the observance.

Senator Paul Douglas of Illinois, and Senator Javits of New York, introduced the resolution in Congress. It does seem that we could have postponed the observance for awhile. It would have just as much effect later as now, which means no effect at all.

Chicago Bank Sees Long Run Gain Resulting From Current Export Drop

Amid a rising tempo of discussion about the United States' position in world trade, our first-quarter balance of exports over imports declined to $182 million, 78% below the 1958 quarterly average and the lowest since late 1950. So states the Harris Trust and Savings Bank, Chicago, in its July *Barometer of Business*. The monthly business summary goes on to say that generally, exports are affected by business conditions in foreign countries, while imports respond to domestic trends. Exports have declined this year due to lower shipments of foodstuffs, cotton, steel, and copper. Imports have risen rapidly since mid-1958 as our recovery gained momentum and crude and semi-finished materials were in greater demand.

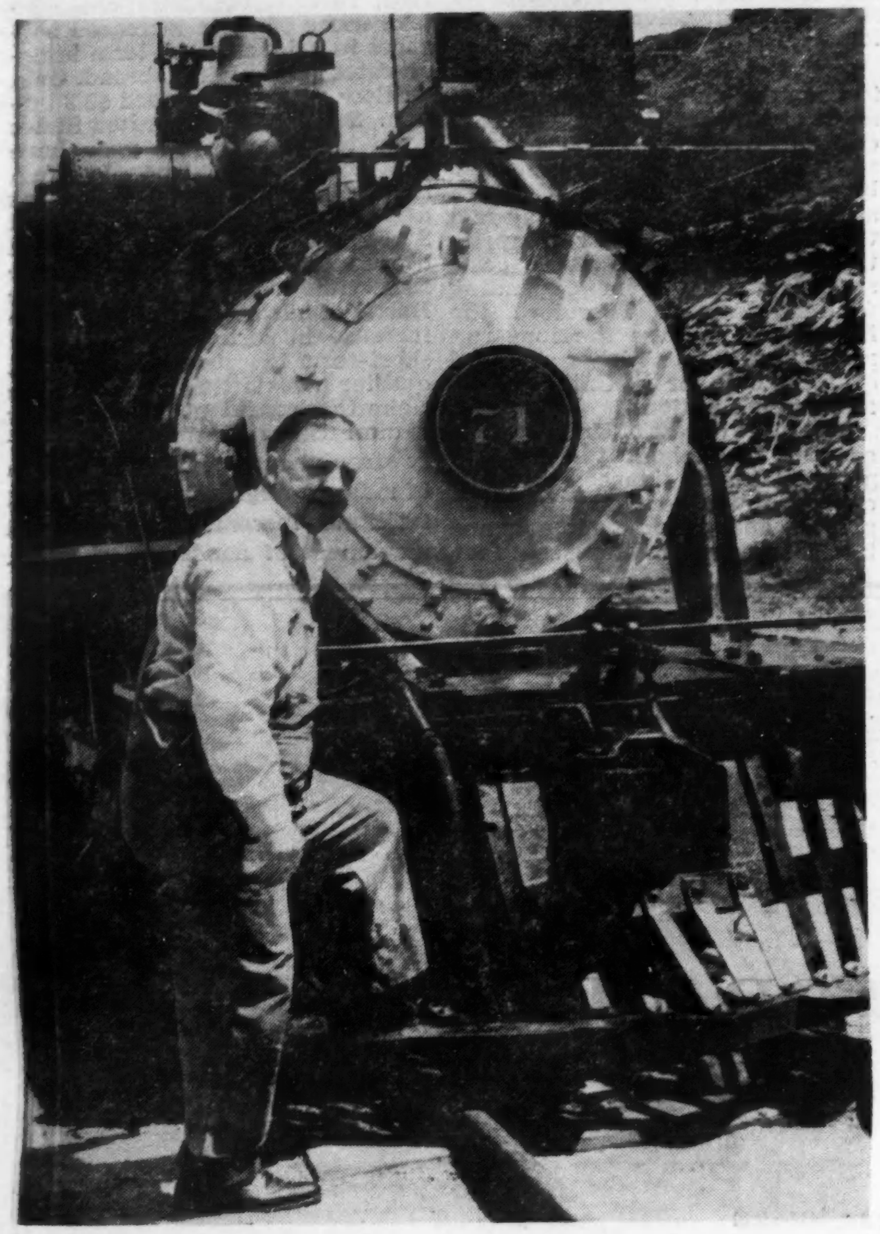
The Harris Bank believes that a shift of longer term significance is the continuing rise in imports of manufactured goods through the recession last year and into the recovery this year. Automobile imports in the first quarter were up about 50% over a year ago, and machinery of all types, chemicals, glass, and textiles were also higher. European industries have rebuilt their productive capacity after World War II damage and are beginning to achieve economies of mass production for the first time, enabling them to sell more aggressively in our markets.

The Harris Bank suggests that to keep this shift in perspective, it should be remembered that if foreign countries are better able to sell in our markets, they will also be more active buyers. Although some domestic industries may feel the stimulus of greater competition, others with low-unit costs should benefit from expanding foreign demand. Therefore the *Barometer* believes the long-run result should be a higher standard of living both for the United States and foreign nations.

The large excess of United States exports throughout the postwar period has been financed by heavy capital investment abroad, both private and government aid, and by military expenditures. In fact, since 1950 the United States has shown an average annual deficit of $1.3 billion in international payments. The recent shift in the merchandise balance of trade has increased the payment deficit to a $3.7 billion annual rate in the first quarter of 1959. These payments have enabled foreign countries to build up their gold and dollar balances and allow greater convertibility of their currencies. In 1958, foreign countries chose to take more of their increased balances in gold, as short-term interest rates were higher abroad. Gold outflow reached a record $2.3 billion. Sharply rising United States short-term rates this year have slowed the gold outflow despite a higher United States net payment deficit. Nonetheless, the United States gold stock late last month dipped under $20 billion for the first time since 1940. But, the Harris Bank concludes the sharp increase in foreign balances and short-term investments in the first quarter gives little support for the claim that confidence in the dollar is diminishing. Instead, the greatly strengthened financial position of many foreign economies should facilitate increased international movement of goods and services.

NSTA Notes

HE'LL TAKE YOU FOR ANOTHER RIDE



Edward Welch, Sincere and Company, Chicago, Chairman of the NSTA Convention Committee, is all set to take the traders for their annual ride, this time to Florida for the Annual Convention at Boca Raton.

NSTA CONVENTION REGISTRATIONS

Following is a list of the applications for registration and reservation received to date for the Annual Convention of the National Security Traders Association to be held at Boca Raton, Florida, November 1st through 6th, 1959:

*Allen L. Oliver, Jr.	*Sanders & Company*	Dallas, Texas
*John P. McLaughlin	*McLaughlin, Kaufman & Co.*	New York, N. Y.
*Walter L. Burns	*Baumgartner, Downing & Co.*	Baltimore, Md.
*Leo E. Browr	*Asiel & Company*	New York, N. Y.
Joseph Gannon	*May & Gannon, Inc.*	Boston, Mass.
*Edwin L. Beck and daughter	*Commercial & Financial Chronicle*	New York, N. Y.
*William J. Candee	*Candee & Company*	New York, N. Y.
*Thompson M. Wakeley	*A. C. Allyn & Co.*	Chicago, Ill.
*Morton Weiss	*Singer, Bean & Mackie Inc.*	New York, N. Y.
*Richard R. O'Neil	*Fairman & Co.*	Los Angeles, Calif.
*Edwin J. Markham	*Wertheim & Co*	New York, N. Y.
*Reginald J. Knapp	*G. C. Haas & Co.*	New York, N. Y.
*N. Clayton Lee	*United Securities Co.*	Greensboro, N. C.
*Edward V. Valley	*John Nuveen & Co.*	Chicago, Ill.
*Frank X. Cummings	*Bear, Stearns & Co.*	Chicago, Ill.
*Seward N. Lawson	*Armstrong, Jones, Lawson & White*	Detroit, Mich.
*Irving L. Feltman	*Hay, Fales & Co.*	New York, N. Y.
*William T. Meyers	*Gordon Graves & Co.*	New York, N. Y.
*Charles E. Exley	*Charles A. Parcells & Co.*	Detroit, Mich.
*Robert M Topol	*Greene & Co.*	New York, N. Y.
*Edgar A. Christian	*Suplee, Yeatman, Mosley & Co., Inc.*	Philadelphia, Pa.
*Harry J. Wilson	*Harry J. Wilson & Co.*	Chicago, Ill.
*Grant A. Feldman	*Piper, Jaffray & Hopwood*	Minneapolis, Minn.
*Frank J. Myers	*J. H. Hilsman & Co., Inc.*	Atlanta Ga.
*P. E. Maguire	*Stroud & Co., Inc.*	Philadelphia, Pa.
*Gambol J. Dunn	*Dunn & Rollins*	New York, N. Y.
*Wallace H. Runyan	*Hemphill, Noyes & Co.*	Philadelphia, Pa.
Joe Cabble	*Burns Bros. & Denton, Inc.*	New York, N. Y.
*John E. Knob	*Drexel & Co.*	Philadelphia, Pa.
*Edward J Kelly	*Carl M. Loeb, Rhoades & Co.*	New York, N. Y.
*Alfred Tisch	*Fitzgerald & Co.*	New York, N. Y.
*William C. Elwell	*Loewi & Co., Inc.*	Milwaukee, Wis.
*Milton J. Isaacs	*Straus, Blosser & McDowell*	Chicago, Ill.
*Robert Strauss	*Daniel F. Rice & Co.*	Chicago, Ill.
*Bernard J. Conlon	*P. F. Fox & Co., Inc.*	New York, N. Y.

* Mr. & Mrs.

NATIONAL SECURITY TRADERS ASSOCIATION

Alfred F. Tisch

Oliver J. Troster

We are happy to salute Col. J. Troster, Troster, Singer & Co., New York City, who has again signed for a halfpage advertisement in the National Security Traders Association Year-Book Convention Number of the CHRONICLE. The Colonel, always a staunch supporter of NSTA, is this year celebrating his fortieth anniversary in Wall Street.

ALFRED TISCH, Chairman
National Advertising Committee
c/o Fitzgerald & Company
40 Wall Street, New York 5, N. Y.

BOND CLUB OF DENVER

The Bond Club of Denver will observe its Twenty-Fifth Anniversary August 6-7 with a joint dinner and field day to be held with the Denver Investment Bankers Association, it was announced this week by Leon A. Lascor, of the J. K. Mullen Investment Company in Denver, President of the Club.

Leon A. Lascor

Phillip J. Clark

In addition to its 250 members, the Bond Club affair is expected to attract at least 50 guests from 17 States and a number of special events have been planned for the Club's Silver Anniversary.

Opening event for the quarter-century event will be a dinner at Denver's Petroleum Club August 6 and the next day the party will move out to Columbine Country Club for field day.

Phillip J. Clark, Denver investment banker, was one of the founders of the Club and its second President. Mr. Clark was President of the National Securities Traders Association in 1954-55. It was Mr. Clark who attended a meeting in Chicago 25 years ago which resulted in the establishment of the Denver Bond Club. He served as its Treasurer for 15 years.

NATIONAL SECURITY TRADERS ASSOCIATION

Special Train to the National Security Traders Association Convention — Boca Raton, Florida, November 1-5, 1959

FROM THE WEST

Friday, October 30, 1959

3:15 P.M. Leave Chicago — Pennsylvania RR.
5:45 P.M. Leave Cleveland — Pennsylvania RR.
6:10 P.M. Leave Cincinnati — C. & O. RR.
6:20 P.M. Leave Toledo — Pennsylvania RR.

Saturday, October 31, 1959

12:16 A.M. Leave Pittsburgh — Pennsylvania RR.
8:55 A.M. Arrive Washington — Pennsylvania RR.
7:55 A.M. Arrive Washington (From Cincinnati) — C. & O. RR.

FROM THE EAST

Saturday, October 31, 1959

9:00 A.M. Leave New York — Pennsylvania RR.
10:35 A.M. Leave Phila. 30th — Pennsylvania RR.
12:05 P.M. Leave Baltimore — Pennsylvania RR.
12:45 P.M. Arrive Washington — Pennsylvania RR.
2:00 P.M. Leave Washington — R. F. & P. RR.
4:25 P.M. Leave Richmond — Atlantic Coast Line RR.

Sunday, November 1, 1959

9:30 A.M. Arrive Boca Raton — Florida East Coast RR.

RETURNING TO THE EAST

Friday, Nov. 6, Monday, Nov. 9 or Wednesday, Nov. 11

9:30 A.M. Leave Miami — Florida East Coast RR.
10:42 A.M. Leave Boca Raton — Florida East Coast RR.

Saturday, Nov. 7, Tuesday, Nov. 9 or Thursday, Nov. 12

3:55 A.M. Arrive Richmond — Atlantic Coast Line RR.
6:20 A.M. Arrive Washington — R. F. & P. RR.
7:26 A.M. Arrive Baltimore — Pennsylvania RR.
9:02 A.M. Arrive Phila. 30th — Pennsylvania RR.
10:45 A.M. Arrive New York — Pennsylvania RR.

RETURNING TO THE WEST

Friday, Nov. 6, Monday, Nov. 9 or Wednesday, Nov. 11

12:01 P.M. Leave Miami — Florida East Coast RR.
1:28 P.M. Leave Boca Raton — Florida East Coast RR.

Saturday, November 7, 1959

12:25 P.M. Arrive Louisville — L. & N. RR.
8:30 P.M. Arrive Cincinnati — L. & N. RR.
3:00 P.M. Arrive Indianapolis — Pennsylvania RR.
7:00 P.M. Arrive Chicago — Pennsylvania RR.

Sunday, November 8, 1959

6:30 A.M. Arrive Cleveland — New York Central RR.
7:35 A.M. Arrive Detroit — Baltimore & Ohio RR.

Tuesday, Nov. 10, or Thursday, Nov. 12, 1959

3:30 P.M. Arrive St. Louis — Illinois Central RR.
6:30 P.M. Arrive Chicago — Illinois Central RR.

The All Expense Tour Rate to Boca Raton and Return

FROM:	Two in Bedroom Each	Two in Compartment Each	One in Roomette	Two in Drawing Room Each	One in Bedroom
Chicago ----	$320.62	$325.22	$333.54	$345.48	$359.00
New York --	303.76	307.45	314.65	324.88	333.91
Philadelphia-	289.24	292.82	299.54	309.54	317.40
†St. Louis----	318.99	321.30*	331.20	332.41*	352.05

† St. Louis rate is quoted going via Chicago and returning direct.
* Compartments and Drawing Rooms will not be available returning to St. Louis and rate shown is based on Bedrooms returning.

The cost of the All Expense Trip includes Round Trip Rail and Pullman, meals on train en route to Boca Raton, five days at Boca Raton on American Plan (Two in Twin Bedroom) and transfers of individuals and baggage between train and hotel.

A Post Convention Trip to Nassau has been arranged leaving Miami at 5 p.m. Friday, Nov. 6 on the S. S. Florida arriving Nassau Saturday morning where the group will stop at the British Colonial Hotel. Leaving Nassau Sunday at 5 p.m. arriving Miami at 8:30 a.m. Nov. 9.

The cost of the Nassau Trip including dinner and breakfast on the boat in both directions, rooms with bath (Two in Twin Bedroom) at British Colonial on European Plan and transfers between Dock and Hotel will be:

Two in Outside Stateroom $64.85 each. Two in Stateroom with bath $85.85 each.

For reservations and additional information members should communicate with: Wm. J. Burke, Jr., May & Gannon, Inc., Boston, Mass.; John M. Hudson, Thayer, Baker & Co., Philadelphia, Pa.; Casper Rogers, Casper Rogers & Co., New York, N. Y.; Edward H. Welch, Sincere & Co., Chicago, Ill.

Joins Wilson, Johnson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Janet E. Mattson has become affiliated with Wilson, Johnson & Higgins, 465 California Street.

Joins Bell Beckwith

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio—Robert R. Coon II is now with Bell & Beckwith, 234 Erie Street, members of the New York Stock Exchange.

J. Earle May Adds

(Special to THE FINANCIAL CHRONICLE)

PALO ALTO, Calif. — Peter N. Bennett has joined the staff of J. Earle May & Co., Incorporated, 601 Bryant Street.

With Walls Assoc.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — William E. Dismer has become connected with Walls Associated, Inc., Candler Building.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—David A. Junge has been added to the staff of Bache & Co., 1000 Baltimore Avenue.

Form Securities Inc.

BALTIMORE, Md. — Securities, Inc. has been formed with offices at 3309 Alto Road to engage in a securities business. Officers are Joseph H. Thomas, Jr., President; Joseph Burroughs, Vice-President; Marshall E. Dawson, Secretary; and John G. Gloster, Treasurer.

Now Corporation

Geo. E. Sozek & Co., Inc., a corporation, has been formed to continue the investment business of Geo. E. Sozek Co., 40 Exchange Place, New York City. Officers are George E. Sozek, President and Treasurer, and D. A. Sozek, Vice-President and Secretary.

S. Trevathan Opens

WICHITA FALLS, Tex.—Stanley M. Trevathan is conducting a securities business from offices in the Wichita National Bank Building under the firm name of Trevathan & Co.

H. W. McEvoy Opens

Harold W. McEvoy is conducting an investment business from offices at 26 Broadway, New York City. Mr. McEvoy was formerly a partner in Winslow, Cohu & McEvoy.

Overcoming the Limitation of General Economic Forecasts

By DR. OSCAR F. LITTERER*

Business Economist, Federal Reserve Bank of Minneapolis

Limitations of the general type of forecasts, even when accurate, for credit men, individual firms, regional appraisals, etc., trying to predict future trends can be overcome, according to Dr. Litterer who explains how in his brief paper. The economist prefers a composite of forecasts to a single one, and avers that an explanation of the forces underlying a decline, for example, may be more important than the percentages.

In preparing forecasts, the thought has frequently flashed through my mind as to what value this type of information may be to creditmen, business executives and commercial bankers. It is my observation that general economic forecasts have limited value for individuals who attempt to use them to predict future trends for their respective firms.

Oscar F. Litterer

All economic forecasts are apt to contain a margin of error since, of course, no one has perfect foresight. If anyone had this ability, he probably would give up the job of writing forecasts and devote his energies to the buying and selling of securities or of real estate. However, the composite judgment of a number of forecasters may be considerably more reliable than that of any one individual.

Some years ago when I was teaching a class in statistics, I would ask students to estimate the length of the instructor's desk. When estimates were added up and divided by the number of students, the average estimated length of the desk was never far from the actual length. The same principle may be operating in a composite of economic forecasts.

This year, forecasters are unanimous in predicting that economic recovery will continue through 1959. Differences of opinion are confined chiefly to the rate of advance that will likely prevail during the coming months. The Gross National Product for 1958 is estimated at $437 billion; the most frequently mentioned estimate for 1959 is $470 billion. To achieve this total, the output of goods and services would have to rise about $7 billion a quarter and would reach an annual rate of approximately $480 billion in the fourth quarter of this year. This rate of advance would be substantially less than was experienced in the latter half of 1958. During that period, the Gross National Product rose by $10 billion in the third quarter and $14 billion in the fourth quarter. Thus, on the basis of a composite made of a number of forecasts for 1959, a slowdown is envisaged in the rate of recovery.

Trends Among Regions

Even though the forecast for the national economy may prove accurate, it may not be applicable to a specific region. Especially in 1959, there may be substantial differences in the economic outlook among regions within the nation. The 1957-58 recession was confined largely to the manufacture of durable goods and to the mining of metals. As a result, the recovery is now centered in these industries.

The recession in the Ninth Federal Reserve district, for example, as a whole was moderate. This is substantiated by the rise in bank debits which in 1958 were 6% above the 1957 total. In the nation outside of New York and six lesser financial centers — Boston, Chicago, Detroit, Los Angeles, Philadelphia and San Francisco—debits were up only 1½% from the preceding year. When the Ninth district is subdivided into 12 economic regions, the percentage change in bank debits in these regions in 1958 over 1957 ranged from a plus 20% to a minus 5%. Large increases occurred in southeastern Montana, western and southeastern South Dakota and southwestern Minnesota where record farm crops and higher prices for farm products in 1958 resulted in a large rise in the volume of business transacted. Many urban centers serving these regions had a record level of employment in 1958. Since these regions had no recession, there is nothing from which to recover in 1959. In fact, the aggregate volume of business transacted this year may decline as the prices of farm products are expected to drop, thus, reducing farm incomes.

The recent recession was confined largely to the mining regions and to one manufacturing area in the district. Debits were down 5% in the mining regions of northeastern Minnesota, northern Wisconsin and on the Upper Michigan Peninsula. Shipments of iron ore from the Lake Superior region in 1958 were the lowest since 1939. In western Montana, where the mining of copper as well as of other metals is important, debits were up only 1% from the 1957 total. Another relatively small increase in debits occurred in the most highly concentrated manufacturing region in the district—the Twin Cities—and in southeastern Minnesota and a portion of western Wisconsin. It is only in these regions that a recovery can be anticipated comparable to that in the national economy.

Explanation of Underlying Forces

The most helpful forecast is the one that gives the best explanation of the underlying forces that will determine the trend in the period ahead for a particular industry or a region. Even though a forecaster were accurate on most basic economic indices, this general information still would have limited value to the businessman. For instance, that the Gross National Product for 1959 is estimated at $470 billion may be largely meaningless in that the businessman cannot interpret it in terms of the outlook for his firm.

The general figures may have limited meaning in a specific field is illustrated by the anticipated decline from 5 to 10% in farm income in 1959. An explanation of the underlying forces leading to this decline may be more important than the percentages. The prices of agriculture products are expected to decline. Last year there was a sharp rise in the prices of fresh produce and of some frozen and canned goods. There was also a sharp advance in meat prices as farmers and ranchers were rebuilding their cattle herds. These situations are not expected to be repeated this year.

In the credit field, for an appraisal of the outlook it may not be as important to estimate the possible rise in interest rates as it is to describe some of the basic changes taking place in credit markets. These markets have become increasingly sensitive to changes in economic conditions. In the recent recession and current recovery, there have been wide swings in the credit markets as has been reflected by the extreme gyrations of interest rates on U. S. Government securities. For example, the yield on three-month Treasury bills in October, 1957, the peak before yields turned down, was 3.58%. As the recession progressed, the demand for funds declined and the Federal Reserve Banks supplied funds to the market. As a result, the yield of Treasury bills declined steadily and in May was at a low of 0.83%. As economic recovery has proceeded from the April low, the yield on Treasury bills has decidedly increased.

Not in recent history has the U. S. Government securities market experienced such a sharp swing over a period of so few months. It appears that some basic changes are taking place in the U. S. Government security market which may gradually spread to other credit markets. Thus, larger fluctuations in the interest rates paid for credit are likely in the future.

In conclusion, general economic forecasts can be used by businessmen as a general frame of reference. This information must be supplemented with a knowledge of current developments in the immediate region and especially in the particular markets served. Future economic trends are always shaped in considerable measure by what has happened in the past.

*Remarks made by Dr. Litterer at the Credit and Financial Management Seminar held at the Center for Continuation Study, University of Minnesota.

P. A. Yates to Be Jones, Kreeger Partner

WASHINGTON, D. C.—Paul A. Yates on Aug. 1 will become a partner in Jones, Kreeger & Co., 1625 Eye Street, N. W., members of the New York Stock Exchange. Mr. Yates has been associated with the firm as Cashier.

Continues Business

Mrs. Helen Miller is continuing the investment business of Diversified Investors Service, 40 Exchange Place, New York City.

Form Accredited Planning

COMMACK, N. Y.—Accredited Planning Corporation has been formed with offices at 70 Genesee Drive to engage in a securities business.

Lester Gannon Joins Andersen, Randolph

Andersen, Randolph & Co., Inc. has opened a branch office at 52

Lester F. Gannon

Broadway, New York City. Lester F. Gannon has become associated with the firm as manager of the trading department. Mr. Gannon has recently been with Seymour Blauner & Co.

With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Fenn J. Wilson is with Dean Witter & Co., 45 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

The F.H.A. Experiment —A Brilliant Success

By BEN H. WOOTEN*
President, First National Bank in Dallas

Texan commercial banker praises highly FHA on the occasion of its 25th anniversary. He salutes the institution for being "brilliantly successful" after reviewing its aims, methods and achievements; pays tribute to Winifield W. Riefler for giving birth to the idea of FHA and the mutual insurance fund; and describes mortgage and insurance companies, S & L Assns., FHA and banks as economic brothers dedicated to strengthening private home ownership. Paradoxically significant, Mr. Wooten finds, is that this "experiment" was started by "an administration not noted for an aversion to direct government action" which used the route of private enterprise.

On June 27, 1934, the Federal Housing Administration came into existence. The time was one of collapse of the mortgage structure and virtual cessation of mortgage lending activity. It was a time when public confidence in private institutions was at its ebb and when even important segments of the business community were demanding direct intervention by the Federal Government to restore house building activity.

Ben H. Wooten

Perhaps the most significant fact about the creation of the FHA was that an administration not noted for an aversion to direct governmental action chose in this instance the route of renewing and strengthening private institutions and of placing dependence upon the functioning of the private market. The FHA was designed to limit and avoid direct governmental action rather than to advance it and to aid private institutions to give greater service rather than to supplant them.

The Federal Housing Administration in 1934 was a new idea, boldly and imaginatively conceived. It was fresh, new thinking and today it is thinking in a new manner intending to fully cope with the ever-changing problems of housing.

*An address by Mr. Wooten before the Twenty-five Year Celebration of Federal Housing Administration, Dallas, Texas, June 26, 1959.

Credits Winifield W. Riefler

We would pay tribute to Mr. Winifield W. Riefler who gave birth to the idea of the Federal Housing Administration and the mutual insurance fund. It was an idea of one mortgagor helping another through mutuality. The immediate objective was to make money available for repairs and new construction to put men back to work, to restore confidence. The long range objectives were more ambitious—to reform mortgage lending practices, to broaden opportunities for home ownership, and to raise housing standards, and as we look back on these 25 years, we can surely say "Well done." Your short and long range objectives have been met, but there is much more to do.

The original Federal Housing Administration Act contained four major provisions. (1) Insurance against loss on property improvement loans. (2) Mutual mortgage insurance on homes and low cost housing. (3) The creation of the National Mortgage Associations for the purpose of providing funds in areas of scarcity. And (4) The insurance of savings and loan accounts.

Mutual mortgage insurance was something new and its objective was nothing less than a form of home financing. It was an emergency program, but its long range aspects were far more important. The insurance fund must be soundly able to care for losses. This included risk rating of property and of individuals with the mortgagor's willingness and ability to pay the debt the most important elements.

On December 21, 1934 a commitment was issued by the Newark office of the FHA on the first house to be built with FHA insured financing. The owners, Mr. and Mrs. Warren H. Newkirk, are still living in the house. Mr. Newkirk paid off the balance in 1948 and received a payment from the FHA of about $400 under the mutual mortgage insurance plan.

Here are a few fundamental things we should not forget about FHA.

1. FHA does not lend money. It insures loans made by private lending institutions from their own funds.

2. FHA encourages builder-applicants to construct good housing but does not, itself, do any building or issue any house plans.

3. FHA is not tax-supported. Its funds are derived entirely from fees, premiums, and interest on investments. Besides paying all its operating expenses, FHA has built up substantial reserves to cover possible losses.

4. FHA has established minimum property standards which must be met to obtain an insured mortgage; but FHA encourages builders to construct better than minimum quality homes.

5. FHA does not own or operate any housing, with the exception of defaulted properties transferred to it by mortgagees, which it manages only until satisfactory disposal can be made.

6. FHA designs all its programs to assist private enterprise in developing well-planned and well-built housing.

The operation is a success on its own. It is an outstanding government agency unique in many respects. It is accomplishing the objective for which it was created. Let me call your attention to just a few highlights in the Federal Housing Administration's progress.

FHA Accomplishments

First. FHA has made home ownership possible for millions of American families because of the favorable terms of the mortgages it insures.

Second. FHA has helped to provide homes in rental and cooperative housing projects for innumerable other Americans.

Third. FHA has enabled millions of people to repair or improve their properties.

Fourth. FHA has helped to raise housing standards and better living conditions throughout the nation.

Fifth. FHA has carried on technical studies that have been instrumental in improving the quality of materials and methods used in construction.

Sixth. FHA has operated on a completely self-supporting basis — no tax money goes into its coffers. Fees and premiums paid by the people who use its services are the source of FHA's income.

Seventh. FHA in 1954, as one of its first acts under the Eisenhower Administration, repaid the full amount originally advanced to it by the U. S. Treasury — a total of $85.9 million, including $65.5 million principal and $20.4 million interest.

Eighth. FHA has worked closely with private enterprise; indeed all its programs are designed to encourage private enterprise, never to compete with it, in providing good housing for Americans in different income levels.

No statement, financial or otherwise, can show the full value of the FHA to Americans as a whole.

From a deficit 25 years ago the FHA, without government subsidy, and upon sound business lines, has developed a mutual operation with reserves of $692,-896,930.

The National Housing Act requires that the Congress retain complete control of FHA regarding (1) a limit in terms of dollars on FHA's authorization to insure, and (2) authorization for operating funds for the agency.

In its 25 years, FHA has written a total of $55,000,000,000 (billions) of mortgage insurance. Of this writing total, approximately $26,-000,000,000 (billions) is outstanding at this time.

From 1934 through 1957, the FHA acquired through foreclosure or the assignment of mortgage notes 80,013 units of housing, representing about 1.5% of the 5,337,016 units covered by mortgages or loans insured since the beginning of operations. Of the acquired units, 45,742 had been sold by the end of 1957 and 34,271 remained on hand.

Losses realized on the total amount of mortgage insurance written from 1934 through 1957 amounted to 14 one-hundredths of one per cent. Losses to the Mutual Mortgage Insurance Fund on sale of acquired properties under Section 203 amounted to 2 one-hundreths of one per cent.

Terms It Brilliantly Successful

The FHA experiment has been brilliantly successful. it has proved itself under every kind of stress except a major depression, and its stabilizing influence is one of our chief bulwarks against the onset of a depression. It has helped to give the greatest 25 years of progress that housing has ever witnessed. It has helped home builders to broaden and improve their services. It has raised the minimum property standards and land planning uses. It has helped to make older neighborhoods better places in which to live. FHA is a helper. It helps the builders, it helps families — and in congratulating the FHA officials, we are actually congratulating the lenders, the builders, the realtors and other members of industry with whom FHA has worked — and the American families whose enterprise and integrity have made it successful.

Shelter, next to food and clothing, is man's greatest necessity. Home ownership and home life is the granite foundation upon which the pillars of Americanism rest. In many respects the history of the home is the history of civilization and it is in the American home that we are taught the ethics of fair play, the duties we have to our country and the place that religious concepts have in our lives.

We travel many roads; some are forgotten completely, some are remembered dimly; but the road that leads home is remembered forever; whether it be a mountain trail, a crowded highway, or a flower grown lane, it is remembered because at the end we can close the door of our home and live in peace, contentment and love. We all want to go home when evening gathers — from the store, the farm, the hill, the sea, the office, the mine, and the factory, we hurry home. Even the child when he has found a toy or when he is hurt or afraid, he runs home. The American home which you are building is the focus of well-being, the spearhead of good American life. It is the upright home that keeps a nation from falling, and the good family life is the nation's most precious asset.

Economic Brothers

The mortgage companies, savings and loan associations, the insurance companies, the FHA and the banks are economic brothers and I am firmly convinced that their activities in strengthening the home ownership of America have the blessings of the Divine Designer of this universe and He expects us to work together for the common good of our community, our state, and our nation. Edwin Markham once wrote:

"There is a destiny that makes us brothers;
None goes his way alone;
All that we send into the lives of others,
Comes back into our own."

Insurance is one of the oldest of all businesses and yet FHA insurance is one of the youngest. It is one of the newest, one of the boldest, one of the most safely daring because of its young ideas and it is one of the most successful.

The FHA story of insurance is a story of people. It is a fascinating story, outlining the quest for security, and in the FHA organization, it is a record of great service. The best Social Security Number that anyone can have is the street address on a home of his own that is paid for.

Thanks to the Federal Housing Administration, the common place, sparsely equipped home we knew has slipped away forever, but the future is even more challenging. We look forward with eagerness to the home of tomorrow.

In saluting the FHA at its quarter of a century of progress, let's keep in mind that only people climb from one height to another in achievement, so we salute the men and women of the FHA. whose history of operation through a quarter of a century reveals efficiency, integrity, fairness, progressiveness, knowledge and devotion to duty.

In closing I would paraphrase an old poem and dedicate it to the men and women of the FHA.

"We know by the work you have done,
That you have filled a needed post,
That everywhere you have paid your fare,
With more than idle talk and boast.
That you have taken gifts divine
The strength of body and manhood fine,
And you have used them ever when
You could serve your countrymen."

There is no nobler purpose in the art of living than the encouragement of home ownership, and if it were possible, we feel confident that the five million families join us in wishing FHA God-speed for even greater accomplishments.

Sitzenstatter Joins Metropolitan Dallas

DALLAS, Texas — Norman J. Sitzenstatter has been named Manager of the Trading Department of Metropolitan Dallas Corporation, Mercantile Bank Building Arcade, according to George S. Rooker, President of the Dallas investment banking firm. Mr. Sitzenstatter, a native of New York City, was associated with Graham, Parsons & Co. of New York for a number of years before moving to Texas in 1952. Metropolitan Dallas Corporation recently installed a direct private wire to A. C. Allyn and Company, Chicago and New York.

N. J. Sitzenstatter

Two With Schwabacher

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — David H. Brazil and Chester C. Lockard have joined the staff of Schwabacher & Co., 1001 Jay Street.

With Robinson-Humphrey

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—John F. Carver and William B. McDaniel have become affiliated with The Robinson-Humphrey Co., Inc., Rhodes-Haverty Building.

Some Unsettled Issues In Monetary Policy

By DR. WARREN L. SMITH*
University of Michigan and Harvard University

Pro and con arguments as to monetary policy's effectiveness as an instrument of economic stabilization are examined and rebutted by Dr. Smith who also points up the lack of evidence on the subject. The auther (1) finds it is too early to dismiss discretionary monetary policy; (2) advises combining monetary policy — resuscitation with efforts to improve fiscal policy's cumbersomeness and giving the Federal Reserve controls to prevent destabilizing bank portfolio shifts; (3) details our financial system's excessive resiliency and the lack of sensitivity of income-generating expenditures to central banking measures; (4) chides current quantity of theory views; (5) attributes cost-push inflation to excessive demand, and (6) doubts control of credit availability would work.

I
Introduction

It is now eight years since the Treasury and the Federal Reserve System arrived at the famous Accord of March, 1951. During that time, we have had considerable experience with flexible monetary policy, and I believe it is fair to say that it has not fully lived up to the expectations that some of its enthusiastic supporters had for it at the time of the Accord. New research stimulated by the revitalization of monetary policy and based largely upon our recent experience, has turned up a number of perplexing questions and knotty problems, and the whole subject is still the center of considerable controversy among economists as well as government officials and the public.

Warren L. Smith

Without in any way attempting to be exhaustive in my coverage, I have selected for discussion a few of the important issues that have come to the fore as a result of our experience with and our study of monetary controls. While there are many other problems related to monetary policy, the ones discussed here seem to me to be central to the controversy and to pose serious questions for the monetary authorities.

II
The Problem of Financial Intermediaries

One of the recent controversies connected with monetary policy has had to do with the effects of the rapid growth of financial intermediaries other than commercial banks. Some have argued that the presence of such a large sector of the financial system outside the reach of Federal Reserve authority has seriously reduced the effectiveness of the traditional monetary controls.[1]

There can be no doubt that financial intermediaries have been growing more rapidly than commercial banks in recent years. This is clearly disclosed for the period from 1900 to 1952 by Raymond Goldsmith's studies.[2] That this disparity in growth rates has continued in the last few years is shown by the fact that total financial assets of commercial banks increased by 16.7% from the end of 1952 to the end of 1957, while the combined assets of all financial intermediaries increased by 58.8% during the same period.[3]

It has been argued that financial intermediaries, are really very much like commercial banks, since, being subject to fractional reserve requirements (largely self-imposed), they can engage in multiple credit expansion. It is true that they cannot create means of payment as can commercial banks, but some of them issue claims to the public which are very close substitutes for money—such as time deposits, savings and loan shares, etc. Not being subject to the controls of the Federal Reserve System, it is said, these institutions may be able to go on expanding credit or even increase the tempo of their credit-creating activities when the Federal Reserve applies restrictive controls to the commercial banking system. In this way, the operations of such intermediaries may represent a very important "leakage" in monetary controls. This line of reasoning can easily lead one to the conclusion that effective monetary policy requires the extension of the controls of the Federal Reserve to such intermediaries.

I believe the line of reasoning suggested above is a considerable over-simplification which exaggerates the similarities between commercial banks and nonbank financial intermediaries and can easily result in incorrect conclusions about policy. It is true that financial intermediaries, such as savings and loan associations can **in principle** create credit and engage in multiple expansion of their claims in very much the same way as commercial banks do. For example, a savings and loan association which receives a $100 cash deposit from a customer can lend out nearly all of the $100. If the recipient of the loan or the person to whom he pays the money then deposits the proceeds in a savings and loan association, another round of lending is possible, and the process can continue in this fashion until a very large amount of credit (and savings and loan shares) has been created. However, I submit that this is not a very realistic way to view the operations of savings and loan associations.

I believe that commercial banks really do have a unique ability to expand credit for a reason that is simple but often overlooked. What is truly unique about commercial banks is the speed with which the reserves lost by one bank when it makes loans are restored to the banking system. It makes no difference what disposition is made of the funds paid out by the borrower—whether the recipient decides to spend the money, save it and use the savings to buy a claim in a nonbank financial intermediary or to buy a primary security, or hold it in the form of an idle demand deposit, the reserves lost by the bank making the loan are normally restored to the banking system quite promptly and mechanically due to the virtually universal practice of depositing a check in a commercial bank promptly after receipt.[4] That is, the restoration of reserves to the commercial banking system within a few days of the time they are lost through lending is a built-in feature of our **payments** mechanism, and it is for this reason that their distinctive role as the issuers of means of payment gives commercial banks a peculiar ability to expand credit.

Nonbank Intermediaries Expand Credit

Credit expansion by financial intermediaries, to the extent that it occurs, follows an entirely different pattern and has an entirely different significance. When a person deposits a check in a commercial bank, there is absolutely no presumption that he has performed an act of saving, whereas, subject to certain qualifications to be taken up shortly, I believe the deposit of funds in a financial intermediary, such as a savings and loan association, does involve such a presumption.

Consequently, to the extent that something called credit expansion takes place through the operation of financial intermediaries, its time path is likely to be entirely different from similar expansion by commercial banks. As a first approximation at least, I believe we can say that only to the extent that the process of credit expansion results in the creation of additional income, a portion of which is saved and a smaller portion (a portion of the portion that is saved) deposited in financial intermediaries, can such institutions be said to engage in credit expansion. Moreover, if at each round the deposit of funds in an intermediary results from an act of saving, "credit expansion" by these institutions is merely a by-product of their function of channeling this saving into investment. Thus, to the extent that their operations are those here indicated, financial intermediaries **really are** intermediaries. In contrast, it is interesting to note that, since saving out of income when held in the form of demand deposits makes no more funds available to the capital market than would an equivalent amount of spending and merely restores to the banking system the reserves that were lost when the income payment was made, commercial banks are **not** intermediaries!

If this were the whole story, I believe there would be very little to the recent furore about financial intermediaries. However, it needs to be modified a little, and the modifications serve to bestow upon intermediaries a modest power to contribute to instability. There are two important ways in which the operations of intermediaries can help to supply funds to finance income-generating expenditures other than out of current savings.

(1) Intermediaries may liquidate a portion of their holdings of securities — particularly government securities—and use the proceeds for current lending. To the extent that the securities are purchased by holders of idle cash balances and the proceeds of the new loans are spent on current output, the intermediary serves as an agent to facilitate dishoarding, and the process is inflationary. In fact, it can be said that there is an inflationary effect unless the rise in interest rates caused by the security sales results in a reduction in expenditures somewhere in the economy which is as large as the new expenditures financed out of the loan proceeds. An inflationary effect equal to a substantial proportion of such operations seems very likely.

(2) When credit tightens and interest rates rise during inflationary periods, those intermediaries—such as savings banks and savings and loan associations—which issue claims that are close substitutes for money, may raise the interest rates or other incentives they offer to holders of their claims. To the extent that this induces members of the public to substitute intermediary claims for their holdings of demand deposits, the supply of credit is expanded, since reserve requirements on such intermediary claims are much smaller than reserve requirements applicable to demand deposits. The effect of this process is to activate idle balances to finance income-generating expenditures.

Importance of This Behavior

How important are these destabilizing elements in the behavior of financial intermediaries? Sales of government securities from the portfolios of intermediaries have not been a very important source of funds in the last few years and do not appear to have been a serious destabilizing influence. Intermediaries have been net sellers of government securities in most years but since 1953 the sales have consistently been less than $1 billion a year. The relatively light importance of

Continued on page 22

*An address by Dr. Smith before the Duke University American Assembly, Durham, N. C.

1 The pioneering article on this subject is J. G. Gurley and E. S. Shaw, "Financial Aspects of Economic Development," *American Economic Review*, XLV, September, 1955, pp. 515-38.

2 R. W. Goldsmith, *Financial Intermediaries in the American Economy Since 1900* (Princeton: Princeton University Press, 1958).

3 These calculations are based on mimeographed tables prepared in connection with the Federal Reserve flow-of-funds study and obtained from the Board of Governors. The term "financial intermediaries," as used above, includes mutual savings banks, savings and loan associations, credit unions, insurance companies (life and nonlife), self-administered pension and retirement plans, insurance activities of fraternal orders, security and commodity exchange brokers and dealers, finance companies, open-end investment companies, banks in U. S. possessions, and agencies of foreign banks in the United States.

4 Cash drains complicate things a little, due to the fact that, in effect, currency is subject to 100% rather than fractional reserve requirements. However, this is an unimportant institutional detail which we shall overlook.

Will Water Conversion Plants End Our Water Problem?

By HON. FRED A. SEATON*
Secretary of the Interior

Problems of water supply may be successfully tackled by atomic power, Mr. Seaton declares, in announcing the first of five plants to use such power in water conversion plants. In analyzing the costs involved, the Secretary asks that the cost of developing new and additional sources of supply be also considered

Somehow or other each new generation seems to rediscover the problems which plagued the last. The problem of water supply with which you of the American Waterworks Association and I as the Secretary of the Interior are vitally concerned, is no exception.


Fred A. Seaton

Whether water is today the nation's number one domestic problem may be open to question, but it can easily become just that in a relatively few years if we do not continue to plan ahead with vigor and prudence.

The facts as we know them influence such a conclusion. We all know the population of the United States has now passed 177 million. What sometimes escapes our notice is that barring the catastrophe of a nuclear war or some unprecedented natural calamity, there will be 275 million of us by 1980—only a generation away. By the turn into the next century, only 40 years away, we will have doubled our present population to 350 million souls.

Presently, we use about 240 billion gallons of water a day. If population and water-use trends continue, in 20 years that consumptive figure will be between 500 and 600 billion gallons a day—provided we have it available.

I am reminded of a remark by the late William Mulholland, longtime superintendent of the Los Angeles water system. When asked what in the world Los Angeles would do with all the water he was going to bring down from the Owens River, Mulholland is reported to have replied: "If you don't get it, you won't need it."

I know of no better way of expressing the loss than can come to any community which can't meet the demands for water of a new industry or for new growth.

In essence, the water problem is this: First, how do we supply a growing population and a dynamic economy with increasing amounts of water of adequate quality at a reasonable cost? Second, how do we, also at a reasonable cost, make certain a flowing stream is an asset to a community and not a hazard?

Only about one-third of the United States has an average annual precipitation in excess of 30 inches—the area east of and including the Upper Mississippi River drainage basin and the area east of the lower Mississippi River but not including those streams tributary to it. Here there is an ample quantity of water for present and foreseeable needs, and it can be obtained at reasonable cost.

In the remaining two-thirds of the nation annual precipitation varies all the way from a high of 30 inches to desert areas with less than 10. Water costs tend to go up as available supplies go down. In the more arid areas, permanent supplies of water in large quantities must of necessity be imported from areas of high yield.

*An address by Mr. Seaton before the American Water Works Association, San Francisco, Calif., July 14, 1959.

Unsuitable Water

Now the best that can be said of some of the available water we have just been talking about is that it is wet. A considerable portion of the ground water in our southeastern coastal plain and in some of our Midwestern States is brackish. Some of our streams are so salty that, untreated, they are undesirable sources of water. Some streams are turbid and muddy. And not the least significant cause of poor water quality is man-made pollution. For any one or a combination of these reasons there may be a local water problem even in areas where precipitation is ample.

America's water supply problem, in addition to having its technical aspects, has its psychological ones as well. Let me cite an example. Admittedly, the Hudson River above the tidal range would provide a cheap, almost unlimited source of water for New York City. Yet so great is the aesthetic reaction to the use of this water on the part of New Yorkers that that city even dismantled expensive waterworks, without having ever used them, which permitted the use of Hudson River water in an emergency. All of which means New York City will have mountain water even if it has to go 150 miles to get it!

Only in the West is there an immediate problem of quantity. In that area, the quantity problem is complicated by variations in streamflow, the need for regulation, too little knowledge of underground flow, and evaporation losses. In the East, the problem is primarily one of treatment of surface waters to make them usable, and the more effective use of ground-water reservoirs. Regulation is of course also required in humid regions but relatively speaking, such requirements are less than in the West.

One day, though, and sooner than many people think, we shall have to follow a new trail for our water supply, at least for certain areas. That trail leads both to huge known supplies of brackish water inland and also to the inexhaustible oceans and seas of the world.

Getting the Salt Out

Getting the salts out of sea water, to be sure, is nothing new. Sailors have done this for centuries. Today the crews of the atomic submarines "Nautilus," "Skate" and "Seawolf" drink water converted by heat from their atomic reactors. In fact, like Julius Caesar and the ancient Phoenicians, people generally have known how to turn sea water into fresh — just distill it. The basic science is as old as recorded history. But what we're still searching for is the answer to the question: how do you do this on a large scale at a cost cheap enough to substitute for or augment water from conventional sources?

New supplies of natural fresh water will surely become more expensive in the years ahead and the supply available will more and more tend to be less than needed. Our hope is that just as surely, the cost of converting saline water to fresh will come down. In one community after another these cost curves will one day likely cross, and then converted sea water will be the less expensive of the two. In some localities it will be the only reliable source.

The Office of Saline Water of the Department of the Interior, under the able direction of Dr. A. L. Miller, is now engaged in a program which will, I hope, soon make my prediction come true. Under Public Law 85-883, approved by President Eisenhower last Septembr, provision was made for the establishment of five demonstration conversion plants — three for sea water and two for brackish. The first of the sea water plants is to be located on the Gulf Coast and the second here on the West Coast. I shall have more to say about the locations and methods to be employed by these two installations in a moment.

Cost Analysis

But first, let us take a look at the procedure the Department of Interior has devised to compare the cost of producing fresh water by different processes. Briefly, we include the following items, at today's prices, in computing water conversion costs: all capital investment, including the cost of land, equipment, construction, and engineering; interest; fuel (at 25 cents per one million B.t.u.); materials and supplies; reservoir for 10 days of product water storage; service facilities, buildings and maintenance materials; operating labor; taxes; and amortization based on 20-year plant life.

Using this comprehensive procedure, we estimate the one million gallons per day Gulf Coast demonstration plant will convert sea water to fresh for less than $1 per thousand gallons. This is the cost of converted water at the "well-head," or at the conversion plant.

When we compare these estimates with present water rates, the general reaction is that conversion costs are still too high. But comparing conversion costs with water rates is like comparing apples and oranges simply because both are round. There are almost as many ways to compute water rates as there are municipal or private water companies. Many water rates are based on development and construction costs of 25 or more years ago. Some water utilities were financed, not by water revenues, but by general obligation bond issues. In other words, property taxes were used to foot the bill instead of profits from the sale of water.

To compare the cost of water obtained from natural sources with the cost of converting sea water to fresh, we must look not alone at present rates, but rather at the cost of developing new and additional sources of supply to meet our growing demands.

What Rates May Be

Many cities which now enjoy low water rates may be in for a jolt when they discover the cost of developing and impounding additional supplies. In most instances the most readily available or most easily developed source of supply has already been preempted. New sources, perhaps located further from the point of need, will be far more costly to develop than were former projects. All in all, we are forced to reach the unhappy conclusion that the cost of water developed from natural sources of supply will constantly increase.

To illustrate how converted water is rapidly reaching a price level where it will be economically competitive, at least in some areas, with natural water supplies, consider financing the construction of a conversion plant by a general obligation bond issue, thereby removing capital investment from cost estimating procedures. On that basis, the cost of converted water would be slashed by 50%, making fresh water available from the sea at about 50 cents per thousand gallons, providing of course that our laboratory and pilot plant results prove out in the operations of our much larger experimental plants.

Announces First Sea Water Plant

It is my pleasure to announce here that the first of the sea water plants, using the long tube-vertical multiple effect distillation process to produce one million gallons of fresh water a day, will be located at Freeport, Texas.

The Freeport site was selected from over 30 cities and communities in the Gulf area because it offers several features not available at other locations. The conversion plant is to be located two miles from the coast adjacent to an existing Dow Chemical Co. plant. A sea water intake line serving the chemical plant will provide the conversion plant with feed water. Dow Chemical will sell us steam, thus eliminating the necessity of constructing a boiler.

The city and the chemical plant will purchase all the product water of the plant. Dow Chemical Co. will also utilize the brine effluent and conduct research on the economic potential of brine utilization.

It is also my pleasure to announced that seven of the 18 locations proposed by California cities have been selected for further consideration for the West Coast conversion installation. The sites are San Diego, Lompoc, Ventura County, Orange County, San Clemente, Monterey County, and Camp Pendleton.

The members of the special site selection board will now undertake a personal inspection of the seven proposed locations, and then will make their final recommendation to me.

Board members are Sheppard T. Powell of Baltimore, Chairman, a mechanical and chemical engineer with over 35 years of experience as a consultant on water problems; Dr. Wilburn C. Schroeder, University of Maryland Professor of chemical engineering and a consultant on engineering and water problems; and Lewis S. Finch of Indianapolis, Vice-President and chief engineer of the Indianapolis Water Co., and the distinguished President of your Association.

This second million-gallon-per-day demonstration plant will employ the multistage flash distillation method. For this plant we are asking the Atomic Energy Commission to supply a low-temperature, low-pressure atomic reactor as a heat source. Representatives of the Atomic Energy Commission and the Department of the Interior began meeting this week to work out the specifications for the combination plant.

A third conversion process, electrodialysis, will be demonstrated in a plant to be located in the Northern Great Plains or arid Southwest area. When its West Coast studies are complete, the site selection board will proceed to study and make recommendations on this next location.

It is no idle dream to prophesy that one day conversion plants along our coasts, as well as in many inland areas, will be as common as the familiar standpipe. They will be there to provide millions of gallons of excellent quality water daily to meet and satisfy needs for this indispensable product.

The American Water Works Association is dedicated, as are we in the Department of the Interior, to the United States of America and its future. Many things will determine whether that future will live up to our expectations for it, and a plentiful supply of water in the places where it is needed is one of the most important of these.

I congratulate the Association and individuals on the part they are playing in this great service function for the people of this nation.

Joins Smith, Barney Staff

BOSTON, Mass. — Eliot J. Robinson has joined the staff of Smith, Barney & Co., 140 Federal Street.

Now With Keller

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Albert Nutile, is now with Keller & Co., 31 State Street. He was formerly with Investors Planning Corporation of New England.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Eugene Stetson, former President and Chairman of the **Guaranty Trust Company, New York, New York**, died at the age of 77 on July 17. He was a Director of the **Morgan Guaranty Trust Company, New York, New York.**

* * *

The appointments of George M. Schucktanz, Andrew C. MacGregor and John J. Moriarty as Assistant Secretaries of **Manufacturers Trust Company, New York**, were announced by Horace C. Flanigan, Chairman of the Board.

Mr. Schucktanz joined the Bank in 1929 and in 1948 was assigned to the Central European Division of the International Banking Department.

Mr. MacGregor joined the Bank in 1940 and was appointed to Assistant Manager in 1957.

Mr. MacGregor is in the Personnel Department at 45 Beaver Street.

Mr. Moriarty joined Manufacturers Trust in 1955 entering the Bank's Executive Training Program.

Mr. Moriarty is assigned to the Comptrollers Department, Head Office, 44 Wall Street.

Talbot H. LeBlanc, has been appointed a member of the Advisory Board of the Flatbush Office, Mr. Flanigan also announced.

* * *

The appointments of William J. Hannings, Joseph W. Curry and Albert B. Madison as Assistant Secretaries of **Manufacturers Trust Company, New York**, were announced by Horace C. Flanigan, Chairman of the Board.

Mr. Hannings joined the bank in 1939 and later was appointed Operational Assistant in the comptrollers department.

Mr. Curry joined the bank in 1930 and later was appointed as an Assistant Branch Manager of the West Side office. He is assigned to the bank's 57th Street office.

Mr. Madison joined the bank in 1946. He is assigned to the bank's Lexington Ave. office.

* * *

The election of Eugenio Mendoza of Caracas, Venezuela, to the Advisory Board on International Business of **Chemical Corn Exchange Bank, New York** was announced July 24 by Harold H. Helm, Chairman.

* * *

Bankers Trust Company, New York, New York, plans the establishment of a major office on the west side of Park Avenue between 48th and 49th Streets, it was announced July 23, by William H. Moore, Chairman of the Bank's Board.

* * *

Irving Trust Company, New York, announces the election of James Hill, Jr. to its Board of Directors.

* * *

Adrian M. Massie, Chairman of the Board and Hulbert S. Aldrich, President of **The New York Trust Company, New York,** have announced the following promotion which was approved at a recent meeting of the Board of Directors:

Calvin C. Bartels, has been appointed Assistant Trust Officer in the Personal Trust Division.

* * *

Merger of the **Ilion National Bank and Trust Company of Ilion, N. Y.** into the **Marine Midland Trust Company of the Mohawk Valley, Utica, N. Y.** has been proposed, subject to the vote of the stockholders, Aug. 21. The new institution would have $125,000,000 in assets, $12,000,000 in capital funds.

* * *

H. Frederick Hagemann, Jr., President of the **Rockland-Atlas National Bank of Boston, Mass.,** announced July 23 the appointment of Winthrop B. Walker of Portland, Me., as Executive Vice-President, and his election as a Director of the Bank.

Mr. Walker is a Trustee and Member of Investment Committee, **Portland Savings Bank, Portland, Maine**, as well as Vice-President of the **Canal National Bank of Portland, Maine.**

* * *

The Columbus National Bank of Providence, Rhode Island, increased its common capital stock by $210,000, by a sale of new stock, effective July 17, from $735,000 to $945,000. (Number of shares outstanding—94,500 shares, par value $10.)

* * *

The Thompsonville Trust Co., Thompsonville, Conn., will merge into the **Connecticut Bank and Trust Co., Hartford, Conn.**, as approved by stockholders. This will combine $12,000,000 with the resources of $428,000,000 of the Hartford Bank.

* * *

Arthur S. Lorch was named a Director of the **Broad Street Trust Company, Philadelphia, Pa.,**

* * *

William H. Magill has been appointed Assistant Manager of the Pitt office of **Mellon National Bank and Trust Company, Pittsburgh, Pa.**, according to an announcement by Frank R. Denton, Vice-Chairman of the bank.

Mr. Magill came to Mellon Bank in 1939, where he was employed in the clearing house department. In 1945 he moved to the tellers department, and the following year, he was transferred to the installment loan department of the bank's Pitt office.

* * *

BROOKLINE SAVINGS AND TRUST COMPANY, PITTSBURGH, PA.

	June 30,'59	June 30,'58
Total resources	$36,438,606	$32,801,841
Deposits	31,693,445	28,169,643
Cash and due from banks	4,504,559	2,942,354
U. S. Govt. security holdings	4,958,423	4,675,103
Loans & discounts	21,129,669	20,203,708
Undivided profits	933,017	509,947

* * *

The board of directors of the **Central Trust Capital Bank, Harrisburg, Pa.**, at a special meeting, elected Charles H. Graff, President to succeed the late John C. Warner, Jr. In addition to serving as President, Mr. Graff is Chairman of the Board of the bank and will continue to serve in that capacity.

The new President, who was President of the Central Trust Company prior to the merger of the Central Trust Company and the Capital Bank and Trust Company, is a native of Kittanning, Pa. Before coming to Harrisburg in 1938 as President of the Central Trust Company, Mr. Graff was President of the Union Bank and Trust Company, Bethlehem, Pa., from 1935 to 1938. Prior to moving to Bethlehem, Mr. Graff and his family lived in Harrisburg while he served as First Deputy Secretary of Banking, Commonwealth of Pennsylvania, and First Deputy and Acting Insurance Commissioner of Pennsylvania.

* * *

John C. Warner, President of the **Central Trust Capital Bank, Harrisburg, Pa.,** died July 21 at the age of 55.

He was President of the Pennsylvania Bankers Association, 1953-1954, and also was a member of the Executive Committee of the American Bankers Association.

* * *

The consolidation of **The Farmers National Bank of Ephrata, Pa.,** common stock of $125,000, and **The Lincoln National Bank, Lincoln, Pa.,** common stock of $60,000, became effective July 11 under the title of **The Farmers National Bank of Ephrata,** with capital stock of $185,000 divided into 9,250 shares of common stock, par value of $20 each.

* * *

The Second National Bank of Cumberland, Maryland, increased its common capital stock by a stock dividend effective July 15, from $500,000 to $600,000. Amount of increase, $100,000. (Number of shares outstanding, 24,000 shares, par value, $25.)

* * *

Hulbert T. Bisselle, 59, President of the National Bank Division of the American Bankers Association, and President of **The Riggs National Bank, Washington, D. C.,** died July 27.

He had been associated with The Riggs National Bank since 1920, became Assistant Cashier in 1929, Assistant Vice-President in 1939, Vice-President in 1940, Senior Vice-President in 1948, and President in 1955.

He was a Past President of the District of Columbia Bankers Association and was Chairman of the Washington, D. C., Clearing House Association and a member of the D. C. Clearing House Committee.

* * *

The Peoples-Merchants Trust Company, Canton, Ohio, absorbed **Farmers State Bank, Wilmot, Ohio,** as of July 1.

* * *

The American Fletcher National Bank and Trust Company, Indianapolis, Ind., and the **Fidelity Bank and Trust Company, Indianapolis, Ind.,** will merge to form the largest bank in the state, as of July 31.

H. Prentice Browning, President of American Fletcher will serve as President and Chairman of the Executive Committee. Frank E. McKinney, President of Fidelity, will serve as Board Chairman.

The combined resources will amount to $500,000,000, capital funds of $30,000,000 and a lending limit of $2,500,000.

* * *

The Merchants National Bank & Trust Company of Indianapolis, Indiana, increased its common capital stock from $3,550,250 to $3,905,270 by a stock dividend, effective July 14. Amount of increase is $355,020. (Number of shares outstanding—390,527 shares par value $10.)

* * *

Arthur W. Roberts will retire August 7 as Vice-President in charge of the International Banking Department of **Continental Illinois National Bank and Trust Company of Chicago, Ill.**

Mr. Roberts became affiliated with Continental and Commercial Bank in 1921, was elected Second Vice-President in 1929, and Vice-President in 1941. He represented Continental in Berlin from 1933 to 1938.

* * *

Alfred T. Capps was named Vice-President of the **Northern Trust Co., Chicago, Ill.**

* * *

The American National Bank of Sapulpa, Oklahoma, changed its title to **The American National Bank and Trust Co. of Sapulpa, Oklahoma,** as of July 15.

* * *

The Second National Bank of Paintsville, Paintsville, Kentucky, announced a change of title to the **Citizens National Bank of Paintsville,** effective July 15.

* * *

C. W. Bailey, 75, who was President of the American Bankers Association for 1946-1947, died on July 25, in Clarksville, Tenn.,

Mr. Bailey was Chairman of the Board of the **First National Bank of Clarksville, Tenn.,** and of the **Southern Trust Co., Clarksville, Tenn.**

Mr. Bailey joined the First National Bank of Clarksville in 1904, became President in 1920. He relinquished the presidency in May of this year and was named Board Chairman. He served as president of the Tennessee Bankers Association in 1929-1930, and was chairman for several years of the Association's agricultural committee.

For two years, Mr. Bailey was chairman of the Agricultural Commission of the American Bankers Association. He was elected Vice-President of the A. B. A. at its convention in September 1945, and became President the following year. He served the Agricultural Commission further as a member of the Committee on Farm Land Prices from 1947 through 1954, and as a member of the Farm Credit Committee in 1954-1955. He was a member of the A. B. A.'s Advisory Committee on Special Activities from 1953 through 1958.

* * *

The Trust Co. of Georgia, Atlanta, Georgia, banking office at Atlanta's Lenox Square will formally open for business Aug. 3.

* * *

A merger certificate was issued July 10, 1959, approving and making effective, as of the close of business July 11, 1959, the merger of **The Tuscaloosa Bank, Tuscaloosa, Alabama,** with common stock of $160,000, into **The City National Bank of Tuscaloosa, Tuscaloosa, Alabama,** (Charter No. 6173) with common stock of $750,000. The merger was effected under the charter and title of "The City National Bank of Tuscaloosa" with capital stock of $1,650,000, divided into 330,000 shares of common stock of the par value of $5.00 each.

Joins Dean Witter

(Special to THE FINANCIAL CHRONICLE)

VISALIA, Calif. — Robert M. Lawson is now with Dean Witter & Co., 505 West Main Street.

A.B.A. Stands Fast in Support of Mason Bill On Bank Taxation

Association President Lee P. Miller gives the first official reply to critical comments made by savings banks and S & L Assns. regarding A.B.A.'s recent support of the Mason Bill.

The American Bankers Association's support of the recently introduced Mason Bill on federal taxation of financial institutions means only one thing — the Association's belief that savings and loan associations and mutual savings banks should bear a fair share of the burden of taxation, A. B. A. President Lee P. Miller declared.

Lee P. Miller

Mr. Miller, who is President of the Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, spoke at the annual convention of the West Virginia Bankers Association at The Greenbrier, White Sulphur Springs, W. Va., on July 24.

His remarks were the first official statement of the nationwide bankers organization in response to critical comments from spokesmen representing savings and loan associations and mutual savings banks on the A. B. A.'s announced support of the Mason Bill, H. R. 7950.

H. R. 7950, introduced in the House of Representatives on June 24 by Representative Noah M. Mason, of Illinois, and referred to the Ways and Means Committee, is designed, according to its preamble, "to amend the Internal Revenue Code of 1954 to equalize taxation among financial institutions and for other purposes."

The text of Mr. Miller's remarks follows:

To be effective, a trade association cannot neglect its responsibility for serving the interests of its membership on as broad a basis as possible. In the case of banking, this responsibility involves the encouragement of a sound competitive environment, which—though important to the interests of the banks themselves —is particularly essential to the public interest. As one of its many varied functions and operations, therefore, the American Bankers Association is working hard on a legislative program that seeks to make the banking system stronger and to enable banks to serve their communities more effectively.

Since it is the subject of so much discussion, I would like to talk for a few minutes about one part of that legislative program—federal income taxation.

The Association recently issued a statement in support of the Mason Bill, which seeks more equitable tax treatment of commercial banks, savings and loan associations, and mutual savings banks. This action was taken as a result of long and persistent demands on the part of a significant number of members. An organization such as the American Bankers Association has many facets, and it cannot be expected that every decision of policy will reflect the viewpoint of all members. The long history of the Association has been one of compromise and accommodation of the needs and desires of different groups in the membership, sometimes at the expense of others, but always in terms of the broad public interest in a strong and stable financial system.

The avowed purpose of the Association to seek enactment of the Mason Bill has given rise to strong criticism on the part of those who oppose a change in the present tax laws affecting financial institutions. It has been alleged that the Mason Bill seeks the destruction of the savings and loan and mutual savings banking industries. It has been charged that the tax sought by the bill is punitive. An attempt has been made to create the impression that it seeks to "soak the saver". It has been loosely claimed that the bill is not in the public interest. It has been contended, also without foundation, that effective taxation of mutual institutions will discourage thrift.

Says It Aids Financial System

I want to make it clear that the Association, in the action it has taken, views the principles of the Mason Bill as meeting the needs of a sound and competitive financial system. It would place the deduction allowed for reserves for bad debts on a consistent, logical basis for all three types of institutions and would prevent the avoidance of taxation by those mutuals that otherwise would merely pay out more of their pretax earnings to their account holders. The action supporting those principles does not seek the destruction of savings and loan associations and mutual savings banks. The tax sought is not punitive. The claim that the bill seeks to "soak the saver" is patently fallacious in the face of the facts that commercial banks have over 50-million savings accounts—more than savings and loan associations and mutual savings banks combined—and that they are seeking the return of a competitive environment that will permit them to continue to serve the owners of those 50-million accounts.

The plain rationale of the Association's position is simply that the savings and loan associations and mutual savings banks should bear a fair share of the burden of taxation. The old argument that the so-called mutual institution should be allowed, by reason of its character and structure, to avoid effective taxation is as outdated and unrealistic as a horse and buggy in the jet age. Today's competitive environment is fundamentally different from that which existed years ago, when savings and loans and mutuals were organized as small, nonpromotional institutions — at a time when income taxes were insignificant. To be realistic, tax policy must take account of the fact that these institutions have become big business and therefore should be required to operate under tax rules that are fair and equitable, and that permit of a competitive environment that will not weaken one group at the expense of the other, as is the case under the present laws.

When the Revenue Act of 1951 was under consideration, the Senate Finance Committee passed a bill to eliminate the tax exemption of savings and loan associations and mutual savings banks in a way tht was expected to produce $140-million of revenue from them. At that time they held $40-billion of assets. There was no cry regarding punitive taxation or that an attempt was being made to destroy them, although the mutuals were successful in having the bill changed in conference to the present basis embodying the 12% surplus and reserve concept. Since then they have been able almost completely to escape taxation under this 12% provision, and they have been able to increase their total resources to about $100-billion—or 2½ times the 1951 level. Responsible for this gain to a significant degree has been their adoption of policies enabling them to avoid the payment of taxes.

Majority Rules the Step Fair

It is considerations such as these, I firmly believe, that have created the groundswell of opinion among the majority of the Association membership regarding the tax question. The answer for this majority has been the introduction through the Mason Bill of a method of taxation that is fair and represents, in the broad public interest, a constructive step toward a sounder financial structure.

I might say, in conclusion, that the leadership of the Association —and I daresay the great majority of the members—finds no comfort in the fact that its action is not in harmony with the views of a segment of the membership—the mutual savings banks. Disappointment of the minority is always part of the democratic process, and disagreement is bound to occur whenever change is proposed to correct an imbalance. I do believe, however, that under a situation such as exists today, people with all shades of opinion should take a broad view of the over-all objectives of a trade association and its effectiveness in pursuing those objectives, even though there may be disunity on some matters.

If disagreement should result in resignations from American Bankers Association by some of its members, I view this as regrettable. Association membership is purely voluntary, and it is of course the privilege of any member to resign. It is our hope that this will not occur in large numbers.

As for the mutual savings banks, the A. B. A. is on record as saying that they should not be expelled from membership. They have been fine, active members for many years.

It is our sincere belief that the things that unite us are more important than the things that divide us.

Hayden, Stone Adds

(Special to The Financial Chronicle)

PORTLAND, Ore. — James H. Cole, Brenton A. Carr, Christopher J. Makrides, Stephen G. Sleeper and Frederick G. Towle, II have joined the staff of Hayden, Stone & Co., 477 Congress Street.

Form Delaware Securities

Delaware Securities Corporation has been formed with offices at 50 Broadway, New York City to engage in a securities business. Officers are Robert R. Hammond, President; and F. A. Hammond, Secretary-Treasurer.

Harold Barsky Opens

REGO PARK, N. Y. — Harold Barsky is conducting a securities business from offices at 64-33 99th Street, under the firm name of Harold Barsky Company.

Form Capital Program

Capital Program Corporation has been formed with offices at 116 John Street, New York City to engage in a securities business.

Form Friarston Inc.

JAMAICA, N. Y. — Friarston, Inc. has been formed with offices at 108-16 New York Boulevard (c/o Greenberg and Shapiro), to engage in a securities business.

Named Director

The election of Peter R. Gimbel as a director of Gimbel Brothers, Inc. has been announced. Mr. Gimbel, who is associated with White, Weld & Co., investment bankers, is a son of Bernard F. Gimbel, Chairman of the Board.

Business Man's Bookshelf

The Equitable — History of The Equitable Life Assurance Society of the United States, 1859-1959—F. Carlyle Buley—Appleton Century Crofts, Inc., New York City (cloth), $5.00.

Investment Service—Booklet describing investment management services offered by the Bank—Chase Manhattan Bank, 18 Pine St., New York 15, N. Y.

Investment Status of FHA and VA Mortgages — G. Rowland Collins and Jules I. Bogen—Graduate School of Business, New York University, New York, N. Y. (paper).

Labor Unions and the Concept of Public Service—Roscoe Pound —American Enterprise Association, 1012 Fourteenth St., N. W., Washington. D. C. (paper), $1.00.

Legislative Summary-1959 — Changes in the Banking Law and related statutes made by the 1959 session of the Legislature—New York State Banking Department, 100 Church Street, New York 7, N. Y.

Life Insurance Association of America — Proceedings of the 52nd annual meeting—Life Insurance Association of America, 488 Madison Avenue, New York 22, N. Y. (paper).

Life Insurance Fact Book, 1959—Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (paper).

Maritime Labor Relations on the Great Lakes—Charles P. Larrowe — Labor and Industrial Relations Center, Michigan State University, East Lansing, Mich., $1.50.

National Directory of Back Jobbers —Gale Research Co., 3414 Book Tower, Detroit 26, Mich., $15.

North Atlantic Treaty Organization—Handbook—North Atlantic Treaty Organization, Information Service, Palais de Chaillot, Paris, France (paper).

Office Supervisor—Third Edition —Henry E. Niles, Mary Cushing Niles and James C. Stephens—John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y., $5.95.

Optima—June 1959 issue containing articles on History's Warning to Africa, by Arnold Toynbee; Gold Policy of the Soviet Government by Dr. Paul Einzig; French Initiative in Africa by Harry T. Andrews; etc.—Anglo American Corp. of South Africa, Ltd., Johannesburg, Union of South Africa, 10s. per year.

Profit Sanctuaries and How They Are Used, 1959 Edition—Business International, 200 Fourth Avenue, New York 3, N. Y. (paper) $24.

Program for Halting Inflation — New York Chamber of Commerce, 65 Liberty Street, New York 5, N. Y. (paper).

Progress in Plastics — Report — German American Trade News, 666 Fifth Avenue, New York 19, N. Y., $3 per year.

Quarterly Financial Report for Manufacturing Corporations, 1st quarter 1959: Introducing estimates based on the revised (1957 edition of the Standard Industrial Classification)—Federal Trade Commission—U. S. Government Printing Office, Washington 25, D. C., 30¢ per copy; $1.00 per year.

Railroad Passenger Train Problem: What can be done to solve it — Interstate Commerce Commission, Washington, D. C. (paper).

Society of Business Advisory Professions—Proceedings of 32nd and 33rd Conferences — On Changing Concept and Function of the Corporate Board, and Insufficient Depreciation: What It Does to the Economy—Society of Business Advisory Professions, Inc., 90 Trinity Place, New York 6, N. Y. (paper).

Structure of Competitive Industry —E. A. G. Robinson—University of Chicago Press, 5750 Ellis Avenue, Chicago 37, Ill. (cloth), $2.25.

Tax Deduction for Married People —Bulletin—The National Bank of Washington, Washington, D. C. (paper).

Taxable Property Values in the United States — Bureau of the Census, U. S. Department of Commerce — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper) $1.

TWA's Services to Ethiopia — A Case Study of U. S. Business Performance Abroad—National Planning Association, 1606 New Hampshire Avenue, N.W., Washington 9, D. C. (paper).

U. S. Agricultural Exports by Destination, 1958—U. S. Department of Agriculture, Foreign Agricultural Service, Washington, D. C. (paper).

Upstate New York—Industrial advantages of Upstate New York —Niagara Mohawk Power Corporation, Syracuse, N. Y. (on request).

Wage Administration—Charles W. Brennan — Richard D. Irwin, Inc., Homewood, Ill.

Wormser's Guide to Estate Planning — Rene A. Wormser — Prentice-Hall, Englewood Cliffs, N. J., $4.95.

Isaac Feldesman Opens

MOUNT VERNON, N. Y.—Isaac Feldesman is conducting a securities business from offices at 24 Ellwood Avenue.

Dual Planning Branch

BALTIMORE, Md.—Dual Planning Corporation has opened a branch office at 2213 St. Paul Street under the direction of Max Zerkin.

New Hogle Branch

STAMFORD, Conn. — J. A. Hogle & Co., has opened a branch office at 145 Bedford Street, under the direction of Frank W. Tirnady.

New Walston Office

BARTLESVILLE, Okla. — Walston & Co., Inc. has opened an office in the Price Tower under the direction of Elwood P. Russell.

With Western Investors

PORTLAND, Oreg. — John R. Petersen is now associated with Western Investors Fund. He was formerly with Foster & Marshall.

Henry Schmidt Opens

PATERSON, N. J.—Henry C. Schmidt is conducting a securities business from offices at 71 Maitland Avenue.

New Abraham Branch

BOSTON, Mass.—C. H. Abraham & Co., Inc. has opened a branch office in the Board of Trade Building, under the management of Harvey M. Simon.

New Brooke Co. Branch

LANCASTER, Pa. — Brooke & Co. has opened a branch office at 2207 Columbia Avenue, under the management of Harry H. Noll.

With Floyd D. Cerf Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Trevor D. Weiss is now affiliated with Floyd D. Cerf Jr. Company Incorporated, 120 South La Salle Street.

THE MARKET . . . AND YOU

By WALLACE STREETE

Industrial stocks continued to forge ever higher, the average working close to what is rather generally accepted as a target area around 680 despite profit-taking that set up a growing resistance to be overcome.

* * *

Good earnings reports from some of the blue chip oils—Standard of Jersey profit up 27%, that of Phillips Petroleum ahead 46%, etc.—finally brought some popularity to this long-neglected group and oils shares did well when the going was good for the general market.

A Turn in the Oils?

The earnings reports called attention to weakness in crude oil and product prices but there were some oil fanciers who thought they saw the beginning of a turn with gasoline prices firming in a few areas. Gulf Oil, as usual when oils had some market attention, was inclined to be linked with Union Oil. Since Gulf holds $120 million of Union Oil's convertible debentures, the rumors have some foundation although more realistic oil experts expect any merger here to wait on whether the Texaco-Superior Oil proposed union clears anti-trust authorities without difficulty.

Steels and the Strike

Steel issues had a somewhat quiet market life. The strike ground on without any sign of a settlement to keep them restrained even in the face of record-breaking profits for the first half, the intangible being how much of these profits were borrowed from the future.

* * *

Users of steel generally showed little concern at the moment about the strike and admitted piling up inventories sufficient to cover the need for varying periods, generally around two months. If the strike lasts until these stockpiles are used up, the steel mills will hum merrily once they are reopened. The third quarter profit reports, however, will be in sharp contrast with the previous periods.

* * *

There was some hunting for steel issues among those not yet affected or only partially affected. Alan Wood Steel, for instance, has a temporary advantage in that its contract won't expire until the month ends tomorrow. For the first half the company's per share profit was up nine-fold over the similar period last year. Trying to figure how its second half will work out is a difficult chore but if, as this difficult chore runs, it can do 60% as well in the second half, it will be able to show earnings of around $4.50. This would give the issue a profit/earnings ratio of less than 8-to-1, with a dividend yield approaching 4%.

* * *

Much of Wall Street, however, was waiting on the end of the steel strike before trying to figure the probable cost and then make projections on how the final results for the year will turn out.

Motors' Interest Centers on Compact Cars

In the autos the interest, at least as far as Street studies are concerned, centered on how the independents will fare with the Big Three invading their compact car markets later in the year. American Motors has been showing up impressively as a profit-maker but the threat of large-scale competition has kept the stock price restrained. Studebaker made the turn to black ink for the first time since the Packard merger in 1954 in last year's final quarter and has done well so far this year.

* * *

Studebaker's shares have been even more restrained marketwise than those of American, in part because after filling the dealer pipelines in the February-March period, the rate of production tapered off. This slowdown also coincided with the final announcements that the Big Three would enter the compact field which started a debate over whether the prospect of large-scale competition had anything to do with the production decline.

* * *

Both of the compact car makers are hopefully relying on the new competition from the Big Three to stimulate consumer acceptance and materially broaden the market for all the makers of compact cars. But since the auto industry's path through history is strewn with the skeletons of dozens of hopeful independent makers, there was still considerable skepticism over the ability of Studebaker and American to continue with their impressive profits indefinitely.

Textiles Recover

Textile shares, even longer neglected than the oils, were also given to some popularity when the earnings statements indicated that the industry was in something of a general recovery virtually for the first time since the end of World War II.

* * *

Projections for Burlington Industries profit for the fiscal year, in fact, were aiming at a level not seen in about a decade. Modernization of plant facilities has had an important role in improving profit margins and Burlington has been in the lead in such activity. In the 1958 fiscal year the company turned in $1.21 in profit. For the first half of this year earnings nearly doubled to $1.12 which already covers the dollar annual dividend. If the full year earnings double over 1958, as seems probable, the company would also be a candidate for a higher payout despite its generous present yield of around 4½%.

* * *

Similarly, the rayon makers after a difficult time last year have seen their business rebound. It is something of a reverse of a pattern underway for several years of declining production and price cuts to pinch profits. The surface cause of the rebound is a new tire yarn that has been sufficiently improved so it can compete successfully with nylon in tire use. Added to this are high hopes that the rayon makers have been able to come up with a satisfactory wash-'n-wear fabric.

* * *

American Viscose was one of the obvious beneficiaries of the new popularity for the rayon group, the shares making the new highs lists. It was the developer of Tyrex, the new tire yarn, and is one of the companies that have decided to battle with nylon on a direct front, since its half interest in Chemstrand represents an investment in a major nylon producer. Chemstrand has been showing good profit results to help bolster both Viscose and Monsanto, its owners.

A Promising Consumer Durable Issue

A surge in buying of consumer durables has helped some of the companies, notably Maytag, which was able to show excellent profits last year and is being projected to record-breaking results this year. The shares have been quiet since their split earlier this month, holding in a narrow range of three points as the split excitement died out. Indications are that the profit this year should reach $4 to give the issue a moderate 10-time price ratio and an above average yield of 4%.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Richard Witrofsky Opens

BRONX, N. Y.—Richard Witrofsky is engaging in a securities business from offices at 165 East 179th Street.

Varian Associates Securities Offered

Public offering of $4,000,000 Varian Associates 15-year 4½% convertible subordinated debentures due July 15, 1974 was made yesterday (July 29) by an underwriting group headed by Dean Witter & Co. Concurrently Dean Witter & Co. made a secondary offering of 30,000 outstanding shares of capital stock of Varian Associates, proceeds of which will accrue to the selling stockholders. The debentures are priced at 100% and accrued interest, and the stock is priced at $36.25 per share.

Net proceeds received by Varian Associates from sale of the debentures will be used for general corporate purposes, including expansion of the company facilities and increase in working capital. Pending ultimate use of the proceeds, Varian intends to use them to repay current bank borrowing and to invest in short-term government securities.

The company, incorporated in 1948, is engaged principally in the design and manufacture of microwave tubes, electronic instruments, vacuum equipment and electronic systems and components, for military, commercial and industrial use. Principal manufacturing facilities are in Palo Alto, Calif. In March 1959, Varian acquired 80% of the outstanding common stock of Bomac Laboratories, Inc., Beverly, Mass. Through acquisition of Bomac, Varian Associates has further broadened its product line in the field of microwave tubes and components.

The debentures are convertible into 25 shares capital stock through July 14, 1963; 24 shares through July 14, 1967; 23 shares through July 14, 1971; 22 shares for the balance of the life of the debentures.

The debentures have the benefit of a sinking fund under which, beginning in 1964, the company is required to redeem 7½% of the issue annually, and may at its option redeem up to an additional 7½% in any year. For the sinking fund the debentures will be redeemable at 100%. For general redemption purposes they are redeemable in whole or part on 30 days' notice at prices ranging from 105% to 100%.

Upon completion of the current financing outstanding capitalization of Varian Associates, Inc. and subsidiaries will consist of $2,360,000 notes; the $4,000,000 convertible subordinated debentures; and 3,125,650 shares of capital stock.

Combined sales of Varian Associates and Bomac Laboratories, Inc. during the seven months ended April 30, 1959 totaled $20,598,207 and net income, after minority interest in income of Bomac, was $1,306,546.

Amer. Bankers Assn. Convention in October

The annual Convention of the American Bankers Association will be held October 25-28 at Miami Beach, Fla.

Opens Investment Office

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Doris H. Morse is conducting a securities business from offices at 344 Kearny Street.

H. S. Rust Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ALTOS, Calif. — Hubbard S. Rust is engaging in a securities business from offices at 285 State Street. He was formerly with Marache-Dofflemyre & Co.

La Hue Adds Three

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Lewis F. Beer, Raymond R. Shepard and Richard J. Williams have been added to the staff of La Hue Investment Co., Pioneer-Endicott Building.

Continued from page 2

The Security I Like Best

carriers, will be persuaded to give up that portion of activities. It has been pointed out that the private carriers and forwarders could, in these particular cases, perform more cheaply.

As for competition, no other company in the field today has an organization comparable to that of Air Express International, either in extent or in quality of its service. Organized in 1935, AEI underwent 24 years of difficulties entailed in establishing itself as the leading company in what essentially is a new industry, now in an obvious phase of rapid growth. AEI has, by persistently ploughing back earnings and spending capital (now largely completed), so established itself throughout the world these many years that now it is in an unusually favorable competitive position. By way of further capitalizing on its position, the Company recently initiated a door-to-door small parcel program which offered importer (and exporter) a single charge and billing for shipments with a maximum customs value of $250 between New York/Newark and all points in Switzerland. The Company further stated that Switzerland will be the first of the countries to which this new simplified service will apply.

Very early in its history, the Company decided to concentrate its efforts on international rather than domestic air cargo by reason of the overwhelming advantages over competing methods, and in view of the greater profit potentiality of this business over domestic business. This view still constitutes the Company's basic policy, although it now becomes possible to add domestic consolidation at relatively little increase in expense. In all other forms of transportation, cargo revenue constitutes the bulk of the business; in air traffic, it is still smaller than passengers and mail. If both logic and history prevail, the growth of air cargo should be substantial. In support of this premise, it is interesting to note the following remarks:

"We're just beginning an era which will see a major share of the world's commerce traveling through the skies".—Willis G. Lipscomb, Vice-President, Pan American World Airways.

"The cargo business of the commercial airlines will be as important as their passenger business".—Juan T. Trippe, President, Pan American World Airways.

Air freight has been, and will in all likelihood remain, the fastest growing segment of the airlines industry. In 1958 freight accounted for 3.8% of total revenues and 8.7% of total ton miles compared with 2.4% and 5.1% respectively, in 1947. The introduction of jet cargo planes with a swing back tail section, which will load near ground level, and probably load from both front and rear simultaneously, and with a capacity of probably 70,000 pounds compared with 45,000 pounds for former planes, is expected to benefit the industry considerably (and AEI). Reduced costs per ton mile as well as reduced ground costs will permit reduced air freight rates and eliminate one of the major obstacles heretofore of air freight growth.

In lieu of the delivery of jet cargo planes (expected by late 1960 from Canadair, Ltd., a subsidiary of General Dynamics, or a 635-mile-an-hour Convair 600 jet sometime in 1961) several airlines are converting present DC-7 passenger aircraft to all cargo use. It is possible that most airlines will follow suit, thus converting depreciated passenger aircraft to freighters, increasing interim freight airlift capacity in light of the growing emphasis on cargo carrying. It is predicted that "air freight rates will be reduced by perhaps as much as 50% within five years, to make air transport of freight strongly competitive for less-than-carload, less-than-truckload and less-than-shipload traffic moving distances of 500 miles or more."

As mentioned earlier, **Air Express International** places much emphasis and hope on its consolidation business. It is interesting to see the development of this segment of the business.

	——Billings——		Consolidation
Year	Total	Consolidation	as a % of Total Billings
1953	$4,800,000	$230,000	4.8%
1954	5,600,000	410,000	7.4
1955	7,100,000	1,010,000	10.8
1956	7,900,000	1,370,000	17.2
1957	8,800,000	1,800,000	20.2
1958	9,200,000	2,100,000	22.8

But more important than just the growth of its consolidation business is the fact that this business produces a higher profit than does the forwarding and clearance business. Profit margins on consolidations increased from 13% in 1953 to 22% in 1958, indicating that as volume increased, the percentage of profit increased, not alone the dollar amount. At present, adequate "volume" rates are applicable only to United States-South America traffic; across the Atlantic, however, which constitutes AEI's principal source of air cargo, a "volume" rate applies only to 100 lbs.—there being no further rate reduction above that amount. The world's airlines have presently under consideration the establishment of additional rate breaks above 100 lbs. and should this occur the company's profit margin will be further increased.

AEI's expenses for performing all its services are mainly payroll and rent. It is engaged essentially in three businesses: air export (forwarding); air import (customs clearance); and air cargo consolidation. Both shippers and the airlines welcome its services, since they are relieved of the task of having to handle such details as pick-up, filing consular invoices, transshipments, payment of freight charges to all participating carriers here and abroad and many other details. **Air Express** makes practically all the arrangements to assure that a shipment originating in one point in the United States will be delivered to the consignee in the foreign country. Shippers realize that a forwarder with a specialized knowledge expedites a shipment at less cost than if attempted directly by the shipper himself.

The company's business has shown the following growth:

Year	Gross Billings
1950	$2,300,000
1951	3,100,000
1952	3,600,000
1953	4,800,000
1954	5,600,000
1955	7,000,000
1956	7,900,000
1957	8,800,000
1958	9,200,000

In July, 1958, the principal stockholders of AEI changed the management of the company, the President being replaced by Chester M. Mayer as President and Alvin B. Beck as Executive Vice-President. Substantial improvement was immediately effected. As a result, profits improved as follows:

Period—	
1st six months 1958	$60,000 loss
2nd six months 1958	61,916 profit
1st six months 1959	73,287 profit
12 months 1959 (est.)	300,000 profit

Earnings Record

Year	Net Profit
1950	*$102,000
1951	*31,000
1952	1,000
1953	6,000
1954	37,000
1955	37,000
1956	*45,000
1957	*33,000
1958	2,000
1959 (est.)	300,000

*Loss.

Capitalization (May 31, 1959)

Debt:	Authorized	Outstdg.
6% subord. conv. debs., due Mar. 1, 1974		$600,000
Stock:		
Preferred stock ($25 par)	20,000 shs.	3,060 shs.
Common stock ($0.25 par)	1,000,000 shs.	456,315 shs.

Syllogistically, the logical conclusion to the foregoing seems to be that inasmuch as the airline business has through the granting of more realistic rates by the CAB and the stimulus of jet aircraft, become one of the fastest growing industries in the country . . . and since air cargo freighting is the fastest growing segment of the airline business, it follows that **Air Express International Corp.,** the world's largest air freight forwarder will benefit accordingly. It can be stated with a fair degree of confidence that the company will earn about 70 cents per share this year, at which time it should be earning at the yearly rate of $1.50 per share. It is not unlikely, either, in view of present prospects, that AEI might earn $3 per share in two or three years.

At a price of approximately 18 AEI does not, in our judgment nearly reflect present earnings or future prospects. By way of comparison, one may point to Emery Air Freight (a company smaller than AEI on an international basis) selling around 30 (American Stock Exchange), with earnings of 72 cents per share in 1958 and with predicted earnings by its President of $1-$1.10 per share for 1959. Sophisticated, long-term investors may note, also, that **Air Express International,** at present market price, is selling for approximately $9.7 million—assuming conversion of bonds and preferred—against a reasonably expected net income in two or three years of $1.6-$2 million per year, or only about five times earnings.

Cutler to Head 1960 N. Y. Red Cross Drive

E. Newton Cutler Jr., senior vice president of the First National City Bank of New York, has accepted the chairmanship of the 1960 Red Cross campaign in New York City, it has been announced by Walter D. Fletcher, chairman of American Red Cross in Greater New York.

E. Newton Cutler, Jr.

As chairman, Mr. Cutler will coordinate the work of some 35,000 volunteers in the five Red Cross chapters in New York City during the annual March campaign.

Mr. Cutler joined the First National City Bank as an executive trainee on his graduation from Princeton in 1937. In his present appointment, which he received last December, he assists J. Howard Laeri, executive vice president, in the supervision of the bank's national division, which is responsible for the organization's business in the continental U. S. and Canada.

Irving J. Rice

Irving J. Rice, president of Irving J. Rice & Company, Incorporated, St. Paul, Minn. passed away June 30th.

Public Utility Securities

By OWEN ELY

Brooklyn Union Gas Company

Brooklyn Union Gas serves natural gas to over 1,140,000 customers in Brooklyn, Queens County and Staten Island, the population of the service area approximating 4,000,000. Revenues have increased from $38 million in 1948 to $87 million recently, due in part to enlargement of the service area. In 1957 the company acquired Kings County Lighting, serving part of Brooklyn, and New York & Richmond Gas, serving Staten Island; this year, Brooklyn Borough Gas (serving the Coney Island section) was acquired as of June 1. The sparsely settled Staten Island area should provide room for considerable future expansion, which should be stimulated by the building of a bridge across the Narrows to Brooklyn, to be completed within several years.

Since the company began to receive natural gas in 1951 it has been building up a gas-heating load, especially in one and two-family homes in its area. In recent years, as a result of rate cuts and an aggressive promotional campaign, substantial conversions from oil heating to gas have been obtained. Recently the company acquired its 100,000th space-heating account; the record number of 17,000 was obtained in 1957, and about 16,000 were added last year, with approximately the same number anticipated for this year. The company remains optimistic about continued expansion of this section of its business and an increase from the present 30% residential saturation to as high as 80% by 1975 has been forecast. The greatest room for expansion will probably be in the new service areas acquired in the past few years.

During the late 1930s and the World War period, Brooklyn Union's earnings were sharply lower than in earlier years and the stock dropped from its 1929 high of 124¼ to a low of 3½ in 1941-2. Dividends on the common stock were omitted from July 1947 to December 1948, when the rapid rise in fuel costs greatly handicapped the company. With the benefit of substantial rate increases (received after considerable delay) earnings recovered from 61 cents in 1948 to $2.16 in 1949 but remained irregular for the next three years. Since 1952, with the benefits of natural gas, there has been a continuous increase in earnings from $1.79 in that year to $3.17 in 1958, and $3.28 for the 12 months ended June 30, 1959.

Brooklyn Union Gas began to receive natural gas early in 1951 from Transcontinental Gas Pipe Line Corp. after the latter completed its pipeline from Texas. The company now also has available supplies from Texas Eastern and Tennessee Gas, together with a supplementary supply of storage gas for winter peaking. It is also considering the installation of facilities in Brooklyn for storing liquid methane (liquefied natural gas, which must be kept at a temperature of 260 degrees below zero).

The company is probably earning a little over 6% on its rate base (in 1958 6.5% was earned on invested capital, according to Standard & Poor's, compared with only 4.4% in 1950). Rates have been adjusted downward several times in recent years without formal rate proceedings. In October 1958 commercial and industrial rates were reduced about $1 million a year or two ago, following earlier residential cuts. In order to bring rates in the Brooklyn Borough area in line with those in other sections, residential rates are being reduced currently by $544,000 and other rates $65,000. In 1958 carrying charges on customer appliances were put on a more conservative basis, which reduced income about $420.000.

The earnings of natural gas companies are always subject to irregularities due to changes in weather conditions; 1958 earnings benefited from unusually cold weather to the extent of an estimated 32 cents a share. On the other hand at that time the company was normalizing its tax savings resulting from accelerated depreciation, and if "flow through" had been used, earnings would have been increased about 19 cents. The figures for the 12 months ended June, just released, reflect flow through for the first time, as the result of a recent declaration of policy by the Public Service Commission favoring this method of accounting.

The company is fortunate in one respect—share earnings are not affected to any great extent by changes in the cost of gas from the suppliers, since the New York Commission now permits the use of automatic adjustment clauses in rate schedules (some other states do not permit this, with resulting regulatory lag in compensating for increased costs). In November the cost of gas from Transcontinental Pipe Line will increase about four cents per mcf—a larger increase than anticipated. While this will be offset by higher rates through action of the fuel clause, it is unfavorable from a competitive sales standpoint. It is uncertain, of course, whether the full increase will be approved by the FPC.

Share earnings for the calendar year 1959 may recede slightly from the June figure because of several factors: an 8% ($1,500,000) wage increase was granted effective April 1, the amount being somewhat larger than usual. Beginning July 1 New York City's increase in gross tax on revenues, amounting to $900,000 a year, also becomes effective. Weather conditions will remain a factor though not as important as during the heating season.

This year's construction program is about $18 million compared with $14 million last year, and future annual amounts may run about the same over the next two or three years. The 1960-program will probably include the construction of a $10 million office building.

Brooklyn Union Gas had been selling recently around 54½ (range this year about 59½-49½ and last year 50-34½). Dividend payments have increased each year since 1950 and are currently at $2.20 making a yield of 4%. The price-earnings ratio is 16. based on latest reported earnings.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The August refunding of the Treasury is now pretty much a matter for the records and it was a very favorable one, with the pay-out surprisingly small. This means that the Treasury can now get ready for the new money raising venture which will be coming along soon and should be in the neighborhood of or a bit less than $2,000,000,000. The Treasury in its recent refunding was able to extend the maturity of the Federal debt, and the issues which were turned in for the 4¾s due May 15, 1964, were not considered to be of an insignificant amount, even though an assist was given by the Federal Reserve Banks.

The fine reception which was given to the August issues—that is, the short and long 4¾s—had a bolstering effect on the whole Government market, except for those intermediate term issues that were not competitive with the refunding obligations. Investors appear to be making somewhat larger commitments in selected Government obligations.

Small Attrition Highly Significant

The Treasury in its August refunding operations had its most successful deal of the year when only about 4% of the issues held by the public were turned in for cash. The money markets were pleasantly surprised since the indicated attrition of about $234,000,000 represented such a low total of the maturing issues. This probably means that the Treasury will not have to make plans for borrowing quite as large an amount of new money as was expected by most money market followers.

The rate that was put on the refunding obligations of 4¾% was evidently high enough to attract considerable interest outside of the Central Banks. To be sure, the Federal Reserve Banks did go into the 4¾s of May 15, 1964 in the amount of $2,643,000,000 and this was responsible in some measure for the favorable reception that was given to the longest-term segment of the package offer. The Central Banks in the past have turned in securities which were coming due for issues with a maturity of more than a year, so the current exchange cannot be classified as a definite departure from the policy of using only the shortest and most liquid obligations to control the money markets and the level of interest rates.

No Unanimity on "Bills Only" Policy

Nevertheless, it seems as though the Federal Reserve Banks, by making the exchange into the 4¾s due May 15, 1964, must have had some concern as to how successful this issue and the whole refunding operation was doing to be. Also, there has been considerable pressure from Congressional sources to have the Central Banks operate in other than just "Treasury bills" in carrying out its management of the money markets.

The "bills only" policy of the monetary authorities has been under considerable discussion for a long period of time among the most capable of money market specialists and quite a few of them do not see eye to eye with the Federal Reserve Board on this matter. There have been many occasions in the past, and undoubtedly there will be many more in the future, when the Federal Reserve Banks could have conducted their "open market" operations in just as successful and as orderly a fashion if certificates, notes and bonds of the Treasury had been part of the picture. It seems to be the opinion of not a few money market observers that the disagreement between the Congress, the Treasury and the Federal Reserve Board as to how "open market" operations should be conducted will not be readily resolved even though compromises may be in the making.

Pressure on Short Rates to Continue

The 4¾% certificate due Aug. 15, 1960, attracted the largest interest in the August refunding venture as was to be expected since the Central Banks were the principal owners of this issue and the demand for short-term liquid obligations is still very heavy. In addition, there does not appear to be much doubt in the minds of most money market followers that the trend of interest rates is still upward, with the near-term rate quite likely to lead the parade.

The light schedule of offerings in the corporate bond market, along with the not too heavy flotations in the tax-exempt field, as well as the favorable Treasury refunding, has improved the tone of these obligations. In spite of this price betterment, they are more attractive from the income standpoint than are long-term Government bonds.

Fiscal 1959 Federal Deficit was $12.5 Billion

Joint statement of Robert B. Anderson, Secretary of the Treasury, and Maurice H. Stans, Director of the Bureau of the Budget points out that the Federal Government's budget deficit for fiscal 1959, which ended June 30, was $12.5 billion. Receipts for the fiscal year were slightly greater, and expenditures slightly smaller, than had been estimated in the budget last January.

The preliminary year-end totals, according to the monthly budget statement for June, show receipts at $68.2 billion and expenditures at $80.7 billion. The deficit of $12.5 billion is $330 million less than the deficit estimated in January.

The results for fiscal year 1959 as compared with January estimates and with results for the years 1956 through 1958 are shown in the following table. The figures for 1959 are based on preliminary reports and are subject to later revision.

BUDGET TOTALS
(Fiscal years. In billions)

	1956 Actual	1957 Actual	1958 Actual	1959 January Estimate	1959 Actual
Receipts	$68.2	$71.0	$69.1	$68.0	$68.2
Expenditures	66.5	69.4	71.9	80.9	80.7
Surplus (+) or deficit (—)	+1.6	+1.6	—2.8	—12.9	—12.5

Hill Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — William W. Irwin has been added to the staff of Hill & Co., Carew Tower, members of the New York and Cincinnati Stock Exchanges.

With Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — James A. Betley has been added to the staff of Marache, Dofflemyre & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. He was formerly with First California Company.

With Bear, Stearns

Bear, Stearns & Co., One Wall Street, New York City, members of the New York Stock Exchange, announced that Werner S. Schott is now associated with the firm's Research Department as a specialist in foreign securities.

Tracon Inv. Co. Opens

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Tracon Investment Co., Inc. is conducting a securities business from offices at 919 North Michigan Avenue. Officers are Henry G. Walter, President, and L. S. Brown, Secretary.

With Keller Bros.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—George V. Doren is now affiliated with Keller Brothers Securities Co., Inc., Zero Court Street.

T. Arrin Co. Opens

Theodore Arrin & Co., Inc. is engaging in a securities business from offices at 316 East Third Street, New York City. Officers are Harold Weingarten, president and treasurer, and Lewis M. Aaron, secretary.

Mutual Funds

By ROBERT R. RICH

Invading the Military

One market that has been virtually untouched by many mutual funds is that of the armed forces. It is a big market. According to a recent study by the *Army Times*, there are more than 2,500,000 officers and men on active duty with the military services. Of this number, 46% are married. The families of military men number no fewer than 1,200,000. As Calvin Bullock Ltd. notes in commenting upon this market: "the astonishing purchasing power of the services (has) not generally been recognized."

What kind of a potential customer is the military man? The study describes him as well educated, thoughtful and essentially conservative. That he is concerned about the future and the protection of his family is amply substantiated by the fact that military men carry $180,000,000 each year in life insurance alone. This rather high figure suggests not only that members of the armed forces have the money to invest but also the probability that they may be nearing the saturation point for this type of savings plan. If so, mutual funds could be the next step.

While just about anyone in the military is a potential target for mutual fund sales, it is the middle-to-senior grade officers and enlisted men who apparently offer the best opportunities. Base pay among officers ranges from something over $6,000 each year for a captain to more than $14,000 for a general officer. This, of course, does not include special allowances or such additional remuneration as hazard pay. In the case of sergeants who have served many years, points out Calvin Bullock, longevity pay can amount to considerable additional income.

Like other individuals who ultimately face retirement and a fixed pension, the military man must consider the possibility that inflation may cut deeply into the income he is counting on after service days are over. This, of course, gives the mutual fund salesman a very strong talking point. But the "temporary" member of the armed forces should not be neglected either. He is often a younger man who faces the biggest period of his earning power ahead. He can be, so to speak, recruited in advance by the fund.

The Calvin Bullock organization believes that voluntary accumulation plans are especially suited to the investment needs of the soldier, sailor or airman. For one thing, he is allowed one direct allotment from his pay. For another, he is enabled to make investments irregularly if necessary and on a flexible basis.

This is Calvin Bullock's advice to its own sales force: "Investment dealers who might wish to introduce themselves to this vast market should first obtain permission from the commanding officer of any base or station; and it is suggested that the *voluntary* nature of the Calvin Bullock Accumulation Plan be stressed. Often the commanding officer will invite an investment dealer to offer a lecture at the base on the subject."

The Mutual Funds Report

Total net assets of **The One Williams Street Fund** rose to a new high of $289,542,000 at June 30, Dorsey Richardson, President of the fund, states in the semi-annual report to stockholders. This compares with total net assets of $283,266,000 on March 31 and marks a 31% increase over net assets of $221,221,000 13 months ago when the fund first started operations.

Net asset value per share on June 30 was $13.73 compared to $13.24 on March 31. Dividend distributions from net investment income since the fund commenced business on May 29, 1958, have totalled $4,566,000, equal to 21.5 cents per share. In addition the board of directors of the fund on July 21 declared its fourth net investment income dividend of seven cents per share, payable Aug. 14 to shareholders of record July 24.

The fund's report reveals that net unrealized appreciation as of June 30 amounted to $37,372,000 and that capital gains of $7,227,000 were realized during the first six months of 1959.

On June 30, $266,532,000, or 92.1% of total net assets, were invested in the common stocks of 108 corporations. On March 31, the fund was 91.1% invested in the common stocks of 124 corporations, having a market value of $258,075,000.

International Business Machines Corporation was the largest individual common stock holding with a market value on June 30 of $10,331,776. Other large holdings included Westinghouse Electric Corporation, $6.6 million; International Nickel Company of Canada, Ltd., $6.2 million; Republic Steel Corporation, $5.7 million; General-Telephone and Electronics Corporation, $5.2 million; E. I. duPont de Nemours & Co. and Bristol Myers Company, each $4.9 million.

Substantial changes were made in the portfolio during the second quarter, Mr. Richardson said. These changes, he said, had the effect of reducing the number of common stocks held and were designed to emphasize those areas of the economy which are believed to offer the greatest potential.

Seven new additions to the portfolio were: General Motors Corp. 66,000 shares, Aluminum Co. of America 10,000 shares, American Potash & Chemical Corp. 25,000 shares, Consolidated Natural Gas Co. 50,000 shares, Container Corp. of America 25,000 shares, Eastern Airlines, Inc. 50,000 shares and St. Regis Paper Co. 50,000 shares.

Sales of securities during the quarter included 30,000 shares of Arizona Public Service Company; 50,000 shares of Beneficial Finance Co.; 14,000 shares of Florida Power & Light Company; 20,000 shares of Grand Union Company; 19,000 shares of Inland Steel Company; 30,000 shares of National Steel Corporation; 40,000 shares of Sinclair Oil Corporation; 35,000 shares of Standard Oil Company of California; and 25,000 shares of United States Steel Corporation.

The five largest common stock holdings by industries at June 30 were: public utilities, $35.3 million, 12.2%; chemical, $26.7 million, 9.3%; oil and gas, $23.9 million, 8.3%; steel, $20.5 million, 7.1%; and electronics and electrical equipment, $19.4 million, 6.7%.

* * *

Although the major holdings of **Eaton & Howard Stock Fund** and **Eaton & Howard Balanced Fund** remained in oil and power & light stocks, the two funds shifted away from these two groups in the second quarter (ended June 30) and into several rails. Eliminated by the stock fund was Ohio Oil and Southwestern Public Service. The balanced fund disposed of Phillips Petroleum Cv. Sub. 4¼s, 1987, Consumers Power $4.52 Pfd. and Wisconsin Electric Power. Both funds purchased Atchison, Topeka & Santa Fe and Union Pacific Railroad as new investments. In addition, the stock fund added Southern Railway to its portfolio.

In its semi-annual report, the stock fund reported assets of $153,775,245 on June 30, 1959, a 50% rise over the $101,215,167 of one year ago. Assets per share came to $24.56 on 6,261,072 shares outstanding, compared to $20.29 on 4,988,772 on June 30, 1958. Common stocks have risen from 78.5% to 84% of portfolio during the past year. Largest industry holdings: oil, 11.2%; power & light, 8.3%; insurance, 6.8%; natural gas, 5.2% and chemical, 5%.

Also reporting semi-annually, the balanced fund disclosed an increase in assets from $180,210,593, or $21.58 per share on the 8,349,280 shares outstanding June 30, 1958, to $200,591,092, or $23.28 per share on the 8,616,290 shares outstanding June 30, 1959. Investments consisted of 65.5% in common stock, 11.6% in preferred stock, 9.8% in corporate bonds and 13.1% in U. S. Governments, short-term notes and cash. Biggest common stock holdings by groups: oil, 15.2%; power & light, 13%; insurance, 5.4%; banking, 5.1% and steel, 3.9%.

Other new investments were Bankers Trust Co., Merck & Co., Sears, Roebuck and Smith, Kline & French by the stock fund; Borden Co., Rochester Gas & Electric, two classes of U. S. Treasury Notes and Seaboard Finance Notes, Dec. 18, 1959, by the balanced fund. Other securities eliminated were Armstrong Cork, New Jersey Zinc and Parke, Davis by the stock fund; four classes of U. S. Treasury Bonds, Dresser Industries Cv. 4⅛s, 1977, and International Paper $4 Preferred by the balanced fund. One notable increase was a 17,000-share purchase of Texas Gas Transmission by the stock fund.

* * *

Massachusetts Investors Trust, the nation's oldest and largest mutual fund, reports total net assets of $1,539,750,862, or $14.10 per share (including 12¢ capital gains distribution) on the 110,150,489 shares outstanding, at June 30, 1959. This compares with assets of $1,149,844,598, or $10.98 on the 104,677,195 shares of one year earlier. The number of shareowners grew from 194,301 to 205,085 during the twelve months.

Boeing and National Cash Register were eliminated from MIT's portfolio in the latest quarter. Other sales were Sunray Mid-Continent Oil, American-Marietta, Seaboard Airline R. R., International Harvester, American Can, Caterpillar Tractor, Crown Zellerbach, Deere & Co., Monsanto Chemical, Pfizer (Chas.) & Co. and United Aircraft Corp.

In number of shares, the largest purchases were Gulf States Utilities, Union Pacific R. R. and International Paper. Other purchases: Aluminium Ltd., Armco Steel, Atchison, Topeka & Santa Fe Railway, Atlantic Refining, Bethlehem Steel, C. I. T. Financial, Columbia Broadcasting System, Consolidated Natural Gas, Federated Department Stores, Florida Power Corp., Ford Motor, General Motors, Lily (Eli) & Co. "B", National Steel, Philips' Lamp, Republic Steel, Southern Railway and Union Pacific R. R.

The most important industry groups by size of holdings at the end of the period were petroleum, steel, utilities, railroads and tire and rubber.

* * *

Observes John Dutton in the Franklin Almanac, publication for distributors of **Franklin Custodian Funds**: "People will only do business with you if you have given them good investment advice, good service, and have also demonstrated to them that you have acted in good faith. There is something very personal about the securities business. Remember, when a customer gives you an order and he acts upon your advice, he isn't buying some insignificant trinket that is of little consequence. He is usually entrusting something quite substantial to your integrity and good judgment."

* * *

In order to bring share prices down to a more attractive level, **Fundamental Investors, Inc.** has called a special meeting of shareholders for Sept. 25, 1959 to vote on a proposed two-for-one stock split. If approved, this will be the third such split by the fund since 1946.

Significant decreases in oil holdings highlight mid-year reports by two funds of the **Broad Street Group**. In the three months ended June 30, **National Investors Corp.** disposed of a major part of its shares in Kerr-McGee Oil and Amerada Petroleum. Over the same period, **Whitehall Fund, Inc.** eliminated Standard Oil of California from its portfolio. Both funds acquired Kaiser Aluminum & Chemical as new investments.

Asset value of National Investors gained 58% to $115,571,704 and assets per share rose nearly 38% to $13.27 over the past twelve months. Assets of Whitehall Fund increased 26% to $10,406,560 and assets per share grew by 12% to $12.93 during that period. Both per share figures allow for capital gains distributions. Both assets figures set new records.

Noted Chairman Francis F. Randolph and President Fred E. Brown in their messages to shareowners of the funds: "It seems reasonable for investors to expect future business expansion to proceed at a somewhat slower rate than in recent months. Even so, they should not overlook the possibility that forces at work in the economy may regenerate inflationary influences which have been dormant for some time past."

* * *

"Orders received by manufacturers of nondurable goods," points out the **Axe-Houghton Survey**, "have reached a new high record, and inventories have been held down by this unexpectedly sharp increase in demand. These industries, including textiles, appear to be in the best position in several years. Even the woolen industry reports a brisk revival. Cotton mills are reported to be holding the highest total of new cloth orders in three and one-half years, with unfilled orders amounting to almost 13 weeks' output as compared with three weeks' inventory. Activity in the textile machinery industry, which a year ago was severely depressed, is the highest since 1956, allowing for seasonal variation."

* * *

Blue Ridge Mutual Fund, Inc. reports net assets of $33,337,868, or $12.75 per share, on June 30, 1959, compared to assets of $27,064,957, or $10.80 per share, on June 30, 1958. Major additions to portfolio during the June quarter were: American Export Lines, Rochester Gas & Electric, Detroit Edison and American Viscose. Largest sales were: American Airlines, National Tea, General Telephone & Electronics and Peoples Gas Light & Coke.

* * *

"We do not share the view," notes a staff report of the **National Securities & Research Corp.**, "that credit restraint will reverse the uptrend in business. What it will do, in our opinion, is prolong the period of prosperity by preventing it from reaching boom proportions and thereby moderating any subsequent correction."

* * *

Guardian Mutual Fund's total net assets have increased by $2 million to more than $8 million since its fiscal year began Nov. 1, 1958. Assets per share rose from $17.59 to $21.32 over the same period. The fund has decreased its holdings of American Telephone & Telegraph to less than half the maximum amount held last December. Major new purchases include Bethlehem Steel, Burlington Industries and Atchison, Topeka & Santa Fe Railway. Holdings of General Motors have been increased.

* * *

A mutual fund specializing in stocks of insurance companies and banks, **Century Shares Trust** of Boston looks forward to better things in these fields over the months ahead. According to a mid-year report issued by Chairman Vinton C. Johnson, fire and casualty companies are expected to report greater over-all earnings this year than last, and life insurance firms, although facing a heavier tax burden as a result of the settlement of their Federal income tax status, have been relieved of this factor of uncertainty. Earnings of most portfolio banks, reported Mr. Johnson, were higher in the first half of 1959 than in the same period of last year, and the outlook is for further earnings increases in the last half.

As of June 30, the fund's total net assets stood at $59,660,278, or $8.92 per share, compared to $49,211,243, or $7.45 per share, one year ago. Largest holdings and their market values: Aetna Life Insurance Co., $7,537,100; Travelers Insurance Co., $4,874,875; Continental Casualty Co., $4,485,000; Insurance Co. of North America, $4,133,400, and Continental Insurance Co., $4,133,400. The portfolio breakdown by groups: life insurance, 39%; fire and casualty, 35%; casualty, 12%, and banking, 9%.

Closed-End News

Tri-Continental Corporation's investment assets have broken past the $400 million mark for the first time. The actual figure as of June 30 was $408,229,386, compared to $341,565,957 one year earlier and $392,054,570 at the start of 1959. Net investment income for the first half was $5,365,689, slightly above the same period last year.

The corporation received $2,176,824 in new funds from 122,569 of common stock issued upon exercise of 96,511 warrants. The rate of exercise of warrants was moderately lower than in the corresponding months of last year. At June 30, there were 7,014,552

shares of Tri-Continental common outstanding. Warrants had been reduced to 1,034,674.

Assets per share amounted to $49.84 at mid-year, a gain from $48.38 six months earlier and $41.30 a year ago. Assuming exercise of all warrants, assets per common share were $44.78, compared to $43.10 at the beginning of 1959 and $37.12 on June 30, 1958.

Tri-Continental's portfolio was 86.5% invested in common stocks at June 30, with 18.1% in public utilities, 9.8% in electrical and electronics, 9.7% in oils and 8.6% in steels. The biggest holdings (excluding investment in Tri-Continental Financial Corporation, a wholly-owned subsidiary) were: Minneapolis-Honeywell Regulator, Florida Power & Light, U. S. Steel, International Business Machines, American Electric Power, Republic Steel, Bethlehem Steel, E. I. du Pont de Nemours and Southern Company.

* * *

United States & Foreign Securities Corporation reports on indicated net asset value of $124,072,330 or $37.47 per share of stock outstanding at June 30, 1959. Dividends of 40¢ per share were paid March 31 and June 30. Each payment consisted of 15¢ per share ordinary income and 25¢ per share net realized capital gain.

Oils dominated the portfolio at the close of the period, amounting to 36.06% of total assets. Other major groups were chemical and drug, 20.97%; metal and mining, 13.71%; U. S. Treasury Bills, 13.71%; and manufacturing and miscellaneous, 9.07%. Largest holdings and their indicated values: Amerada Petroleum, $14,190,000; Standard Oil of New Jersey, $9,012,500; Louisiana Land and Exploration, $7,085,000; Reynolds Metals, $6,695,000; Superior Oil (California), $6,142,500; Aluminium Limited, $4.550,000; Texaco, $4,516,050, and E. I. du Pont de Nemours, $4,224,500.

* * *

Abacus Fund reports a net asset value of $36,514,064, equal to $42.67 per share, on June 30, 1959, compared to $29,287,843, equal to $34.22 per share (adjusted) on June 30, 1958, and $33,564,167, equal to $39.22 per share, on Dec. 31, 1958. William K. Jacobs, Jr., President of the fund announces that in the first half of 1959 net income from investments amounted to 59¢ per share compared to 50¢ per share in the same period last year. Net realized gain, reports Jacobs, equalled 67¢ per share for the six months compared to a 2¢ loss during the first half of 1958.

The fund's largest single holding (excluding $9,404,025 in stock of Gatineau Power Co., its noncontrolled affiliate) was 384,200 shares of New England Electric System, valued at $7,732,025. Other dominant holdings were in American Machine & Foundry, Radio Corp. of America, Bristol-Myers, Spiegel, Inc. and Philadelphia and Reading.

* * *

J. D. Glenn Opens

(Special to THE FINANCIAL CHRONICLE)

BERKELEY, Calif. — James D. Glenn, Jr., is conducting a securities business from offices at 2909 Telegraph Avenue.

Kett Opens Office

(Special to THE FINANCIAL CHRONICLE)

BERKELEY, Calif.—Stewart B. Kett is engaging in a securities business from offices at 2909 Telegraph Avenue.

Chester R. Knowles

Chester R. Knowles, limited partner in Hayden, Stone & Co., New York City, passed away June 29.

The 1959 Crop Outlook

By ROGER W. BABSON

Wheat prices could average higher in the months ahead even though the July carryover—mostly in government hands—is estimated at 1,285,000,000 bushels; corn may hit a record high of 4,224,450,000 bushels; and 14,000,000 bales of cotton, compared to last year's 11,512,000, is expected. In reporting this and other crop prospects, Mr. Babson adds that he foresees cotton prices easing during the fall marketing season followed by strengthening thereafter.

I am not surprised that my first survey of 1959 crop prospects indicates a total outturn second only to the huge 1958 record. This spotlights once again the folly of crop supports. These figures do mean that farmers should diversify more and not gamble on only one crop.

Roger W. Babson

Barring serious damage to the spring wheat crop, I forecast that the total outturn of wheat this year will be around 1,155,000,000 bushels. This is down about 20% from the record 1958 production, but 7% above the 1948-1957 average. Including the estimated July 1 carryover of about 1,285,000,000 bushels, supplies for 1959-1960 are more than double total average annual disappearance. Most of the July 1 stocks were in government hands and will not glut the market. The 1959 crop will be supported at a national average rate of $1.81 a bushel. Thus bulwarked, wheat prices could average higher in the months ahead.

I expect the barley crop to be around 414,000,000 bushels—12% below the 1958 record high, but 30% above average. With July 1 farm stocks the largest since 1943, total barley supplies should easily suffice for 1959-1960 requirements. A smaller acreage and poor yields have cut flaxseed prospects to about 27,600,000 bushels—down sharply from the 1958 outturn and 30% below the 10-year average. There will be no dearth, however, for here also July 1 farm stocks were relatively large. From the smallest acreage of oats for grain since 1892, farmers probably will harvest a crop of over 1,000,000,000 bushels — down 29% from 1958 and 23% below average. Even so, I expect no shortage of oats this season, since July 1 farm stocks were at a record high of around 300,000,000 bushels. The rye crop may be down to about 21,400,000 bushels, —a third less than last year, and 5% below average. However, this year's crop will suffice.

Corn, Dry Beans, and Rice

U. S. farmers apparently have great confidence in corn this year. The crop may hit a record high of 4,224,450,000 bushels, which would be 29% above the 10-year average of 3,251,064,000 bushels. Despite heavy consumption this season, July 1 farm stocks were the third largest for the date. Somewhat less than half this big reserve was under CCC loan. Smaller output of other feed grains, plus siphoning of sizable supplies of corn into government loans and an expected heavy total disappearance in 1959-1960, may partly offset any corn pile-up.

Another large crop of dry edible beans is in prospect. Although the indicated outturn of 18,434,000 bags is 3% smaller than the large 1958 crop, it is well above the 1948-1957 average of 16,804,000 bags. This crop, plus the carryover, will easily cover all needs in the 1959-1960 season. The rice crop also looks promising, with a U. S. outturn of over 50,000,000 bags (100 pounds each) expected, compared with the 1958 crop and a 10-year average of around 47,000,000 bags.

Cotton and Soybeans

U. S. farmers planted 28% more acreage to cotton this spring than last. Given the high per-acre yields of recent years, the cotton crop could be about 14,000,000 bales, compared with last year's 11,512,000 bales and the 10-year average of 14,136,000 bales. U. S. consumption and exports in the 1959-1960 season may well exceed the 1959 crop. Therefore, the carryover a year hence should not differ materially from the estimated 8,800,000 bales this year. Only three years ago, the carryover amounted to 14,528,823 bales. Cotton prices probably will ease during the peak of the marketing season this fall, but should strengthen thereafter.

After nearly a decade of annual acreage boosts, U. S. farmers this year cut planted acreage of soybeans 8% under a year ago. Thus, the 1959 outturn could be down from last year's 574,000,000 bushels. Barring severe crop damage, the total 1959 crop should easily suffice for all requirements. Farm stocks still are near a record high.

Staats-Blyth Group Offers Northrop Debs.

An underwriting group, headed by William R. Staats & Co. and Blyth & Co., Inc., yesterday (July 29) offered publicly $10,000,000 of Northrop Corp. 5% convertible subordinated debentures due July 1, 1979 at 100% plus accrued interest from July 1, 1959. The debentures may be convertible into common stock at $38.50 per share.

Net proceeds of the sale of the debentures will initially be added to the working capital of the company. The company may use such funds, among other purposes, to reduce outstanding bank loans, to meet capital asset requirements, to place the company in a position to accept orders or undertake projects for the Government (in addition to current orders or projects) arising from changes, frequently abrupt, in procurement policies and decisions, or to retain its competitive position by acquiring new and advanced machines and tools which are expected to be required by reason of rapidly changing and development manufacturing techniques and new design requirements of the aircraft, missile and electronics industries.

Connell on Coast Trip

DENVER, Colo. — Robert J. Connell, Denver investment dealer, who, in addition to operating a securities firm, heads Estate Planning, Inc., has departed for a two week California survey trip. Mr. Connell will visit San Francisco, Los Angeles and San Diego, to study the possibilities of, in the future, opening branches for Estate Planning, Inc., on the West Coast.

With Baxter & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Theodore Masisak is now affiliated with Baxter & Company, Union Commerce Building.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

ST. PAUL FIRE & MARINE INSURANCE COMPANY—

Organized in 1853, St. Paul Fire & Marine Insurance Company has had a remarkable record as an underwriter in the fire-casualty insurance field. Since 1932, the company has shown profits in each year except in 1957. It began business as a mutual, St. Paul Mutual Insurance Company, with a capital of $75,000. The present title was taken in 1865.

There were numerous capital changes that brought capital to the present $25,583,662, consisting of 4,093,386 shares of $6.25 par value each. St. Paul Mercury Insurance is wholly-owned (except for directors' qualifying shares); and in 1957, 297,397 of the 300,000 outstanding shares of Western Life Insurance Co. of Montana, were acquired, and at the end of 1958 were carried at approximately $10,725,000. This life unit had been incorporated in 1910, and at the end of 1958 had life coverage in force of about $406,000,000.

The company is licensed to write business in all states and in Canada; and it is represented by over 12,800 agents and representatives.

Omitting from consideration St. Paul's life business, a distribution of the fire-casualty lines gave, at the end of 1958:

Auto Liability	20%	Ocean Marine	4%
Auto Physical Damage	12	General Liability	9
Straight Fire	19	Workmen's Compensation	6
Extended Coverage	8	Miscellaneous	15
Inland Marine	7		

The total non-life premium volume in 1958 was approximately $149,000,000, and in that year the company's combined loss and expense ratio of 97.2% showed an underwriting profit margin of 2.8%, a fully satisfactory showing in view of the poor industry performance in underwriting. The combined ratio for the decade ended with 1958 was 4.6%, a considerably better than average performance with three bad industry underwriting years included in the period.

An important aid to the company's good underwriting record is the very low expense ratio, which for the five years through 1958 averaged 38.4%. Few of the larger units in the field can show as good a result. After all, a favorable expense ratio, averaged over a period, is a sign of outstanding management. A carrier is able to exercise a greater degree of control over its expenses than is the case with its losses, for there is a large element of the fortuitous connected with losses (sinking of a ship, development of a hurricane, etc.), whereas control of expenses spells capable management.

Turning to the investment portion of St. Paul's operation we find that following break-down of its assets into major categories:

Cash	3.3%	Common Stocks	34.2%
U. S. Gov't Obligations	2.4	Other Investments	1.5
Other Bonds	49.2	All Other Assets	9.4
Preferred Stocks	0.5	Adjustment to Market	—0.5

For years St. Paul has been known as a municipal bond investor, and while they do have very large holdings in equities, state and municipals are a heavily weighted category. At the end of 1958 bonds, exclusive of U. S. Governments, constituted about 47.8% of the company's portfolio. A year earlier it had been 51.7%. Among the common stock holdings, consolidated, but not including the life portfolio, were, at the last year-end, 18,700 American Natural Gas; 27,000 Arkansas Louisiana Gas; 36,400 Houston Lighting & Power; 42,000 Louisville Gas & Electric; 32,000 Texas Utilities; 32,000 Minnesota Mining & Manufacturing; 39,000 Virginia Electric & Power, etc.

TEN-YEAR STATISTICAL RECORD — PER SHARE*

	Liq. Value	Adjusted Underwriting	Invested Income	Federal Taxes	Net Earnings	Dividend	Price Range High	Price Range Low
1949	$18.33	$1.77	$0.86	$0.68	$1.95	$0.55	22⅜	16¼
1950	19.98	1.16	0.96	0.35	1.81	0.65	23⅛	20⅝
1951	21.50	1.22	1.02	0.01	2.23	0.67	30¼	24½
1952	23.82	1.60	1.10	0.57	2.13	0.74	31⅜	26⅛
1953	25.56	0.13	1.17	0.91	1.57	0.78	31¾	24¾
1954	29.90	0.37	1.23	0.20	1.40	0.87	45⅝	30⅞
1955	32.80	0.60	1.34	0.28	1.66	0.93	55¼	43¼
1956	37.83	0.60	1.30	0.06	1.83	1.02	52⅛	38⅞
1957	35.85	‡0.64	1.81	0.01	1.16	1.08	56⅞	37⅝
1958	44.11	0.86	1.94	0.02	2.78	1.20	59¾	43¾

*Adjusted for 15% stock dividend in 1957; for 2-for-1 split and 100% stock dividend in 1951; and for 5-for-1 split in May, 1944.
‡ Deficit.

St. Paul Fire & Marine's unbroken dividend record goes back to 1872, some 87 years, in which period the cash payments were nearly $69,000,000, with stock dividends at about $21,500,000. It is at present on an indicated rate of $1.30, and selling at about 58, at present the yield is approximately 2¼%. The growth factor is clearly evident in the data in the above tabulation, in which not only equity, but underwriting profit, investment income, dividend and market price are all comfortably above the 1949 data.

The management of this unit is highly regarded.

Continued from page 13

Some Unsettled Issues In Monetary Policy

this factor is strikingly illustrated by the fact that during the period of inflation and credit restriction from the end of 1954 to the middle of 1957, when financial intermediaries extended $47.9 billion of credit to the private sector, they obtained only $0.8 billion, or 1.7% of the total, through sales of government securities. The portfolio policies of most intermediaries are relatively stable, and they engage in comparatively little switching between government securities and private debt under reasonably normal circumstances.

The other destabilizing element discussed above, shifts of funds by the public between demand deposits and claims against financial intermediaries, appears to have been more important. During the entire postwar period, interest rates have shown a notable upward trend, interrupted by brief and moderate declines during recession periods. The stock of fixed value redeemable claims issued by intermediaries has increased substantially more rapidly than demand deposits during this period as a whole, and there is some evidence that destabilizing shifts between demand deposits and such claims have occurred at times. The most striking example of this was in 1957, when there was an unprecedently large increase in time deposits at commercial banks at a time when the amount of publicly-held demand deposits and currency actually declined. This suggests that depositors withdrew funds from checking accounts and put them in savings accounts, the reason for this behavior probably being the easing of regulations by the Federal Reserve and the Federal Deposit Insurance Corporation to permit commercial banks to pay higher interest rates on time deposits.

Are More Controls Justified?

Are the destabilizing effects of intermediaries sufficiently serious to justify the extension of Federal Reserve controls to these institutions, and, if so, what form should these new controls take? My own opinion is that, in general, intermediaries have not constituted a major breach in the armor of Federal Reserve policy—in fact, as I shall indicate, I think there are other far more serious problems. However, I believe a case could be made for equalizing—or at least substantially narrowing the difference between reserve requirements on demand deposits and reserve requirements on intermediary claims in order to eliminate—or reduce—the destabilizing effects of shifts between the two. This could be accomplished partly by reducing reserve requirements for demand deposits as the opportunity arises during recession periods or when additional reserves need to be supplied. There are good arguments for this on other grounds as well, and, as we all know, the Federal Reserve has been moving modestly in this direction. In addition, I think a case could be made for increasing the reserve requirements applicable to time deposits at commercial banks and, on grounds of equity, as well as to strengthen monetary controls, for extending the requirements to nonbank financial intermediaries as well. We should forget the fiction—which never did have a very logical foundation—that legal reserves are designed to preserve liquidity, and recognize them for what they are: the fulcrum of monetary policy.

III

The Resiliency of the Financial System

The financial structure and institutions of the United States have undergone a number of notable changes in recent years. The most important of these is the great expansion of the public debt and the accompanying development of the government securities market. It has been argued that the growth of the government securities market and the increased participation in it by nearly all types of investors, together with the increased importance of financial institutions, referred to earlier, has increased the influence of monetary policy. The widely-held public debt is said to have liked up the financial markets of the country and provided channels by which the effects of Federal Reserve action are rapidly communicated from one sector of the economy to another. Moreover, it is said that the new institutional investors are very sophisticated in their portfolio policies and that the volume of funds they are willing to make available may be greatly influenced by even small changes in rates of interest.

I believe the experience we have had during the last few years has cast grave doubts upon this thesis. The widely-held public debt has indeed served to spread the effects of monetary policy throughout the economy, but, more important, it has constituted a means of mobilizing the existing supply of funds more effectively in support of economic activity at times when the supply of new bank credit was being restricted by Federal Reserve policies. Transactions in government securities have served as a vehicle for transferring funds from holders of idle cash balances to spending units in need of funds. Thus, the development of a highly efficient government security market has increased considerably the mobility of funds and has helped to create a situation in which credit-tightening measures by the Federal Reserve tend to induce offsetting reactions in the financial system which, in turn, result in a more intensive utilization of the available supply of loanable funds.

Although there are several ways in which transactions in government securities may serve the function of mobilizing loanable funds, there is one type of operation of this kind which seems to be especially important. I refer to the tendency of commercial banks to build up their liquidity by accumulating large quantities of short-term government securities during periods of recession and easy money, as they did in 1953-54, and later to liquidate these securities and shift into loans in times of inflation and monetary restriction, as happened in 1955-57. The importance of this factor is indicated by an examination of the latter period.

From the end of 1954 to the middle of 1957, when the System was following a restrictive policy, commercial banks expanded their loans and holdings of private and state and local government securities by $22.5 billion. The money supply (demand deposits and currency) actually **declined** over this period by $1.2 billion. The funds to finance this tremendous expansion of private loans and securities were obtained from two sources for the most part. Banks obtained $14.5 billion by selling off Treasury securities to other investor groups, and they obtained another $7.0 billion from an expansion of their time deposits. The time deposit aspect of the problem has already been discussed. With respect to the sales of government securities, I believe that the deflationary effects of the liquidation of these securities were much less powerful than the inflationary effects of the increased lending to the private sector so that the process was, on balance, strongly inflationary and took a good deal of the steam out of the System's restrictive policy.

These shifts in the composition of bank portfolios have been a systematic destabilizer, and we can probably expect them to continue in the future. This suggests the desirability of considering methods of controlling—or at least exerting some direct influence over—the composition of bank portfolios. There are various methods that might be considered for accomplishing this purpose, but the subject is too specialized to be taken up at this time. I do believe that the destabilizing effects of such portfolio shifting by commercial banks are much more serious than any of the activities of financial intermediaries referred to earlier. If I am right, it suggests that the lack of direct controls over intermediaries has been a less serious defect of Federal Reserve policy than its inability to exercise effective control over commercial banks. Since the commercial banking system is the Federal Reserve's traditional area of responsibility, it should be possible to do something to correct this situation. I might add, however, that little can be done about it as long as the Federal Reserve adheres to its traditional attitude that its only proper function is to control the money supply. If the above discussion brings out anything, it is that control over the effective supply of credit is what is needed and that this is by no means synonomous with control of the money supply.[5]

In addition to the increased importance and improved efficiency of the government securities market, just referred to, a number of other means of economizing loanable funds have been developed under the impact of tightening credit conditions in recent years. For example, there has been a notable increase in participation in the Federal funds market by banks; this has economized the use of reserves and permitted a given amount of reserves to support a larger supply of credit. Sales finance companies have perfected techniques for marketing commercial paper, and, in particular, have succeeded in devolping a market for such paper among nonfinancial corporations having surplus funds. Government security dealers have likewise devised methods of tapping corporate surplus funds. Both of these latter developments signalize the appearance of a more alert attitude on the part of corporate treasurers toward the management of their liquid reserves. As a result of the increased participation of life insurance companies operating on a national scale as well as the easing of geographical restrictions on the investment of funds by savings and loan associations and the establishment through the Federal National Mortgage Association of a secondary market for FHA-insured and VA-quaranteed mortgages, considerable progress has been made in broadening the market for mortgages and increasing the mobility of mortgage funds.

More examples of this kind could be given, but the point is sufficiently clear. Under the pressure of credit restriction and rising interest rates, the managers of our financial system have demonstrated great ingenuity in devising means of getting more financial mileage out of the existing supply of funds. Moreover, changes of this kind, once wrought because a permanent part of the financial system—we will certainly never return to the simpler and less sophisticated arrangements that formerly prevailed. In future periods of credit restriction, these methods of economizing funds are likely to be used even more widely than in the past, and we can trust the ingenuity of our financial managers to uncover still further economizing techniques.

There is not much that the Federal Reserve can do about this propensity of our financial system to be ingenious; it is simply a cross that the system has to bear and one that makes the implementation of effective monetary policy somewhat more difficult. Moreover, I do not, in general think it would be wise to interfere with these dvelopments even if it were possible to do so. These new techniques have served to increase the mobility of funds, reduced interest rate differentials, and caused our financial system to perform more efficiently its basic function of allocating capital. Most of these developments have probably not been quantitatively very significant in their impact on monetary policy; moreover, the fact that many of them seem to be irreversible means that they probably do not have an important systematic destabilizing effect. Some slight reduction in the effectiveness of monetary policy is perhaps not too high a price to pay for these improvements.

IV

Problems of Insensitivity And Lags

We turn now to a group of problems which, in my opinion, constitutes a more serious obstacle to effective monetary policy than anything we have discussed up to now. I refer to the apparent lack of sensitivity of most types of income-generating expenditures to moderate variations in interest rates and credit conditions, together with the long lags that seem to characterize such effects as are present.

This is not an appropriate place to undertake an extensive survey of the evidence bearing on the probable interest-elasticity of various income-generating expenditure schedules. The basic source of insensitivity seems to be the uncertainty about the future which is an inherent feature of business investment decisions. This uncertainty requires compensation and probably causes businessmen, in general, to undertake only those projects which promise a fairly high rate of return. As the matter has sometimes been put, if a project is so marginal that the prospective profit on it would be imperiled by a one-or 2% rise in the rate of interest, it probably would not have been considered in the first place. The insensitivity attributable to uncertainty is reinforced by institutional factors, including the fact that today a very high proportion of investment is financed out of retained earnings and depreciation allowances an dis therefore not directly subject to the discipline of the market, and the fact that in very many cases such increases in interest costs as may occur can be passed on to customers through increases in prices. There is a fairly impressive body of empirical evidence to support the insensitivity thesis.

In response to the accumulation of evidence that expenditures are insensitive to interest rates, the supporters of monetary policy have shifted their position somewhat. They have in recent years stressed the effects that Federal Reserve policy may have on the availability of funds and deemphasized the effects of interest rates on borrowers. For reasons indicated earlier, however, it has proved to be rather difficult to control the availability of credit because of the offsetting reactions of the financial system.

If methods could in fact be devised which would permit really effective control of the supply of credit, the availability doctrine might come into its own. But it is by no means certain that the fluctuations in interest rates that would be a by-product of relly effective control of credit availability would not turn out to be so large as to put an unbearable strain on finncial markets and complicate the Treasury's debt management problems to an undue degree. While availability may be an independent factor in the very short run, it is hard to believe that in the course of time changes in the supply of funds relative to demand will not come to be reflected in interest rate adjustments.

The Problem of Lags

However, in addition to the problems just discussed, although not entirely independent of them, as we shall see, another serious difficulty presents itself. Considerable evidence has accumulated in the last few years that whatever effects monetary policy may have are likely to be realized only after relatively long time lags. A recent study by Professor Milton Friedman covering 19 business cycles from 1879 to 1954 has uncovered consistent and rather long lags between turning points in the time rate of change of the money supply and turning points in general business conditions.[6] At upper turning points, the lag averaged 16 months and ranged between 13 and 24 months for specific cycles. The average lag at lower turning points was 12 months with a range of 5 to 21 months. Although I find such purely historical studies, unaccompanied by any effort to explain the nature and source of the phenomena somewhat less than 100% convincing, I think these findings are suggestive, particularly in light of the results of other recent studies.

Actually, the problem of lags is interrelated in a very complex fashion with the question of sensitivity and also with the resiliency of the financial system referred to earlier. The lag in monetary policy can be broken into three additive components: the time it takes for the authorities to recognize that action is needed, the time required to initiate the necessary action, and the time required for the action to exert its effect on the economy. For convenience, we shall refer to these as the **recognition lag**, the **administrative lag**, and the **operational lag**, respectively. The recognition lag has undoubtedly been growing shorter as the Federal Reserve's speed in collecting and skill in interpreting statistics has increased; it could, in principle, be negative if economic forecasting were a sufficiently dependable instrument so that the authorities dared base significant policy actions upon it. However, even though the Federal Reserve may recognize quite promptly the need to begin, let us say, a restrictive policy, it is rarely possible to visualize with much clarity at the beginning how powerful are the forces it must combat. In consequence, it is likely to

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5 Analytically, the problem can be stated as follows: Sales of government securities to holders of idle cash balances result in the destruction of such balances, while the ensuing loans to private spending units create balances which promptly become active. Thus, the banks act as agents in the process of dishoarding. Since both new money creation and dishoarding are means of financing potentially destabilizing excesses of *ex ante* investment over *ex ante* saving, it is just as legitimate for the central bank to control dishoarding as to control money creation, particularly when the commercial banking system, which is the central bank's traditional province of responsibility, is involved in the process.

6 Milton Friedman, "The Supply of Money and Changes in Prices and Output," in *The Relationship of Prices to Economic Stability and Growth*, Compendium of Papers Submitted by Panelists Appearing before the Joint Economic Committee (Washington: Government Printing Office, 1958), pp. 241-56.

proceed cautiously and tentatively at first.

The administrative lag for monetary policy is usually acknowledged to be quite short, since the Federal Reserve has a great deal of policy discretion and a very flexible administrative organization. In a sense this is true, but I believe it needs to be qualified considerably. This is where the degree of sensitivity of expenditures to credit conditions, as well as the resiliency of the financial system, comes into the picture. To the extent that the effects of monetary policy work through interest rates, if expenditure schedules are very interest - inelastic, it will take large changes in interest rates to accomplish the desired effects. And, if the financial system is strongly resilient as discussed earlier in this paper, it may well take operations—say, in the open market—on a very large scale to produce the necessary effects, not only on interest rates, but on the availability of credit from the commercial banks. In practice, it may be necessary to proceed slowly in conducting such operations, partly because of the danger of accentuating the Treasury's debt management problems, but also—and more important, in my opinion—to prevent serious disruption of financial markets generally. In other words, even if the System knew from the outset precisely the position it needed to get to in terms of interest rates and credit conditions, it might take considerable time to get there without disrupting the security markets.

Finally, we come to the operational lag. This is the lag between the effects on interest rates and credit availability and the effects on income-generating expenditures. For example, for a construction project financed by borrowing, it would consist of the time elapsing between the raising of the funds and the initiation of the project plus the average time elapsing between the initiation of the project and the actual expenditures. This lag undoubtedly varies a great deal from one type of expenditure to another and, in general, depends upon the circumstances existing at the time. A recent study by Professor Thomas Mayer suggests that this lag is perhaps roughly six months for residential construction, something over a year for other types of construction, about six months for manufacturing equipment outlays, two months for consumer credit, and three months for inventories.[7]

When all these factors are taken into account, it seems to me that the picture we get of monetary policy as device for maintaining economic stability is not very reassuring. It is not at all difficult to imagine a situation in which it would require two or three years for a monetary policy as strong as the authorities dared to put into effect to come to grips with a serious inflationary situation. In fact, I believe something of this sort occurred in the 1955-57 period — and I am not sure monetary policy had much effect on the economy as a whole even at the end of this period. Moreover, if a restrictive policy does eventually take hold, its effects may very well carry over for a considerable time after the inflationary situation has ended and a recession is under way. In fact, in a situation of this kind, it is perfectly possible for monetary policy to do more harm than good —that is, due to the lags involved, a policy ostensibly designed to stabilize the economy might actually accentuate instability. I do not believe the situation is actually as bad as this, but it is certainly not impossible. The situation is partly saved by the existence of some sectors that are affected rather strongly and reasonably promptly by monetary controls — the main instance of this being residential construction, the sensitivity of which is mainly due to the existence of ceilings on the interest rates that may be charged on FHA-insured and VA-guaranteed mortgages.

7 Thomas Mayer, "The Inflexibility of Monetary Policy," *Review of Economics and Statistics*, XL, November, 1958, pp. 358-74.

Suggests Solution

What can be done to overcome the problems just referred to? In the first place, I believe it would help considerably if we could tighten Federal Reserve control over the supply of bank credit by instituting some kind of controls over bank portfolios in order to prevent the destabilizing portfolio shifts referred to earlier. This would increase the speed with which the effective supply of bank credit could be brought under control. More generally, the length of the administrative lag is probably dependent to a considerable degree upon the types of credit instruments employed, and this suggests the desirability of trying to find or devise controls involving shorter lags than those now in use.

Another possibility, of course, would be so to improve our methods of forecasting that action could be initiated sufficiently in advance of the need for it to overcome the remaining lags. This may well be the eventual solution, but for the near future it is not a very promising possibility, since forecasting would have to be very good indeed—vastly better than it is now—before official policy actions could be based upon it.

If the lags are long and intractible in nature, there is something to be said for placing most of our reliance on automatic stabilizers, together with an effort to create inelastic expectations so that the automatic reactions of the private sector would help to maintain stability. This approach already has important support, including Professor Friedman, the Committee for Economic Development to some extent at least, and now, apparently, Professor Edward S. Shaw. We could give up discretionary monetary policy entirely, as Friedman and Shaw suggest, and simply establish some arbitrary rule, such as that the money supply should be increased by x% per year. I think it is too early to say that all is lost as far as discretionary monetary policy is concerned and go over to such an "automatic" system; moreover, to be realistic about it, I do not believe such an arrangement has a ghost of a chance politically. Political realities, including an increasing public insistence on a degree of stability that may perhaps be virtually unattainable, mean that discretionary policy is here to stay.

Another possibility is that we might be able to design complicated policy prescriptions which take the lags into account. This could perhaps be done if we had a pretty good idea what the lags involved in our policy weapons were, but it would also require a considerable knowledge of the structure of the economy including the lags in its reactions. For the near future, this approach, like reliance on forecasting, is wholly impracticable.

I do not pretend to know what the answer to this problem is. For one thing, the evidence on lags is still rather meager and the problem may not be as serious as recent studies seem to suggest. But I do not think it is a matter that can properly be brushed aside and wished out of existence, and I urge all who are interested in monetary policy give it the respectful study and attention is deserves.

V

Concluding Comments

Before closing, I want to say a word about the question of cost-push inflation arising from wage pressures. If this problem is really a serious one, it cannot be dealt with by means of policies which work on aggregate demand without producing an intolerably high level of unemployment and underutilization of capacity. We must recognize that the problem is a by-product of a contest over the distribution of the national income and set up procedures for the orderly adjudication of this contest. However, I believe that an important part of the inflation we have experienced in the last few years has been due to excessive demand. Furthermore, when aggregate demand is as plastic as it has been during recent inflationary periods, it does not provide a very firm framework within which to conduct wage negotiations and arrive at price decisions. When demand adapts itself readily to changes in the level of costs, employers have little incentive to resist excessive wage demands and unions have little incentive not to make such demands, since both parties feel that, if necessary, any rise in costs which results can be passed on through price increases.

Thus, it is still very important to perfect our controls over aggregate demand and its major subdivisions so that they will take effect quickly and in a predictable fashion. As I have indicated, I believe the most serious difficulties with monetary policy are the excessive resiliency of the financial system which causes it to resist Federal Reserve actions and thus slow down the achievement of the desired effect, and, related to this, the existence of insensitivity and rather lengthy lags in the mechanism by which monetary controls make themselves felt. Although there are doubtless ways of overcoming these difficulties, at least in part, I believe we cannot hope for complete success in this regard. Monetary policy is bound to fall considerably short of the perfect instrument of economic stabilization.

This suggests that efforts to resuscitate monetary policy should be combined with attempts to strengthen fiscal policy by improving its unnecessarily cumbersome administration. The lags in fiscal policy are at least as long as those involved in monetary policy, but they are of a different nature and seem to be more amenable to correction. Fiscal policy involves longer lags in the initiation of the necessary action than does monetary policy, but the lag between the time action is taken and the time the economy is affected is probably shorter for fiscal than for monetary policy. Thus, the lag in monetary policy is largely inherent in the structure of the economy and is therefore extremely difficult to deal with, while the lag in fiscal policy being more dependent on administrative arrangements, should be easier to correct.

In fact, even in the absence of autonomous pressures from the cost side, to stay on the narrow path between inflation and unemployment and at the same time to achieve a reasonably satisfactory balance in the distribution of resources among private consumption, private investment, and the provision of government services will surely tax the resources of the best instruments, both monetary and fiscal, that we can hope to devise.

With Central States

(Special to The Financial Chronicle)

MANSFIELD, Ohio—Theodore Uehling is now affiliated with Central States Investment Co., Walpark Building.

Westheimer Adds to Staff

(Special to The Financial Chronicle)

HAMILTON, Ohio—Fred Riley has been added to the staff of Westheimer and Company, First National Bank Building.

Securities Salesman's Corner

By JOHN DUTTON

This Is the Time to Invest in Values

With the Dow Industrial averages at an all time peak, when public enthusiasm is at a high level for common stock investment, and in these lush days when it is a cinch for almost any securities salesman to bring home a commission check that is way up in the four figures almost every month, the fellow who counsels moderation and caution can hardly be too popular. Be that as it may, there are a few words of warning that have been taken from the experiences of other bull markets that may not be amiss at this time. If the shoe fits then wear it—if you disagree that's up to you—and if you are an investor reading this column, or a salesman who makes his living selling securities, and the observations we pass along to you this week have some semblance of merit (in your opinion as well as ours) that also is up to you. It's a free country and you can still think as you wish.

Bull Markets Bring Out Questionable Underwritings

When profits are quickly available, and new issues are going out the window, it is a very simple matter to look like a hero. Customers buy a new issue today and sell it out a few days later at a profit. Securities salesmen allocate new issues and ration out allotments to preferred clients, all the while carefully and scrupulously avoiding anything that may indicate the slightest tinge of favoritism to anyone in a position to favor them with business from institutions, insurance companies, banks and other such buyers. It is all very nice. The customers are happy with their quick capital gains, the salesmen with their commissions, and last but not least, the underwriters with their management fees and profits. If such happy days could last forever what an easy way to make a living—we could all get rich. The trouble with all these pleasant periods of activity in the investment business is that they carry within themselves the seeds of their own destruction. The easier it is to sell a sound new issue that immediately goes to a premium the greater the number of less attractive underwritings that appear on the market. It is sort of like a parade. First the well planned, and practical financing comes to market and it is successful. Then the companies with greater financial problems, and a much less promising future, get on the band wagon. Their deals go "out the window" too. Then the fellow with a working capital deficit, five years of managerial problems, and a basketfull of bank loans, pledged receivables, and hocked inventory, comes to market with a stock issue and that sells out too. By this time, everybody wants to be an underwriter. The S.E.C. files are jammed with prospective underwritings, Finder's fees are available on every corner. Just find a company that can't pay its bills, then locate an underwriter and pick up a finder's fee of $50,000 or $75,000 for your trouble. Why sell sound securities to investors? Where are the investors? If you think I am exaggerating this last phase of the underwriting, new issue game, don't challenge me. I can show you the record right smack in some recent S.E.C. prospectuses; they are there for all to see.

Then Come the Promotions

By this time all the little fellows with big ideas, a hole in the pocket and a strong urge to obtain some of the other's fellow's risk money begin to get into the act. Several years ago we had a rash of uranium stock issues. How many of these fly-by-night companies are still alive today? You can count the sound, well financed, profitable uranium producers on the fingers of your two hands. The rest have gone down the drain. What happened to all the little people who bought into these ventures? If you have been around even a few years you will know. The S.E.C. only assures that the facts are told, but who read the prospectus?

The market keeps on climbing, and a rash of new underwriters is once again making its appearance. Whether it is a promotional Florida land deal; an electronic company with big debts, high hopes, and precious little working capital; or some other proposition that for the moment appeals to the public fancy, if you are a security salesman who expects to stay in this business, or an investor who would like to be around and still be able to invest when some of the current foolishness is over—I would like to suggest just one thing — READ THE PROSPECTUS.

James Traviss to Join Davidson & Co.

Davidson & Company, 25 Adelaide Street, West, Toronto, members of the Toronto and Canadian Stock Exchanges, about August 17 will open a U. S. Department under the management of James A. Traviss. The firm will maintain two open end phones to New York City as well as enterprise phones to the principal cities in the United States. Mr. Traviss was previously associated with S. J. Brooks & Company, Toronto. Prior thereto he was associated with Goldman, Sachs & Co. in their New York office. He is a delegate-at-large for the National Security Traders Association.

James A. Traviss

Joins Eastern Inv.

(Special to The Financial Chronicle)

NORTH READING, Mass.—Francis W. Rice is now affiliated with Eastern Investment Corporation, 213 Main Street. He was formerly with Schirmer, Atherton & Co.

Joins L. A. Caunter

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Robert E. Hines is now connected with L. A. Caunter & Co., Park Building.

With Central States Inv.

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Laura E. Dingle has joined the staff of Central States Investment Co., Hanna Building.

Butler, Wick Adds

(Special to The Financial Chronicle)

YOUNGSTOWN, Ohio—Arthur I. Waldman has been added to the staff of Butler, Wick & Co., Union National Bank Building, members of the New York and Midwest Stock Exchanges.

Continued from first page

How Will Atomic Energy Affect World's Oil Industry

of that energy, especially in the United States. A third fact, also important, though perhaps less dramatic, is the steady increase which has been made in the efficiency of our engines and other methods of utilizing our fuels, which in the United States averages about *threefold* since the turn of the century. Diesel locomotives, indeed, have about five times the average thermal efficiency of the steam locomotives they replaced. These improvements in efficiency, brought about by research and development have multiplied the benefits obtained from each heat unit in our various fuels, and to considerable extent have masked the rapid rate of growth of demand. Just stop and think what it would mean to our economy if this increase in efficiency had *not* been achieved, and as a result we required about three times as much fuel to supply the energy we use today. It would certainly relieve all unemployment among the coal miners and quiet all concern about world oil surpluses!

The growth in the use of fuel energy is especially striking when you consider how little change occurred in the world's per capita consumption during the centuries preceding the last one. In 1850 and for many centuries prior thereto, the principal use for fuel was for heating homes. In the United States, coal was replacing wood in some of the eastern cities; but wood remained the principal heating fuel in most areas of our country for several more decades. Life on the farm was not much different from what it had been in Moses' time. The farmer had no substantial help from anything except animal power. Some 94% of the work of the world was done by the muscles of men and animals, as compared with less than 5% today. Railroads and steamships were barely getting started, and their energy consumption couldn't be found on the chart. The first electric generating stations did not appear until the 1880's.

As these new devices came into wider use, they created a tremendous market for coal. At the turn of the century, best estimates are that the burning of coal provided about 70% of the energy supply of the United States. However, as the century moved along, that percentage began to drop rapidly. Oil and natural gas supplied a larger and larger proportion of the U. S. market until the two combined are now nearly 70%. Water power use also increased. Now all present sources of energy face still another competitor—atomic or nuclear energy. The big question is: will *it* do to oil and coal what oil has done to coal in the last half-century?

How Substitutable Is Atomic Energy

In considering the probable timing of the growth in the use of atomic energy, it will simplify matters to discuss it first under United States conditions. This is partly because I know it better, and partly because the subject is so complicated that it seems preferable to discuss it in detail for one country before considering it against the background of widely varying fuel and other costs in different countries.

For large conventional steam power plants in the fuel-rich United States today, the cost, including capital charges of 14%, ranges from 3.5 to about 9 mills per KWH, depending on size and location. Is nuclear energy from unsubsidized plants likely to get down into that range within the next two decades?

In discussing nuclear power, I shall, for the present, discuss power from the fission of heavy atoms such as uranium — power from fusion of light atoms is much more distant, as will be pointed out later.

I yield to no one in my admiration for the research done in government, university, and industrial laboratories on the many problems involved in producing power from atomic fuels. However, I think it is fair to say that this research has uncovered as many new problems, unsuspected in the early days of rosy optimism, as it has fully solved of the problems then recognized. That is not surprising, because the military aspects of atomic energy have necessarily had priority during most of the hectic years since the war, and the research achievements in that area have been truly amazing. Until about six years ago, information bearing on power generation was largely an incidental by-product of this military program. Anyone who charges that our Atomic Energy Act turned over to private industry a bonanza in the form of already-solved technical and economic problems and an assured profit, either does not know the facts or is an arrant demagogue. Any private investment in American commercial power generation in the past or the near future will have to be inspired more by long-range hopes and public service motives than by any reasonable expectation of substantial early profit.

Commercial Use Defined

In discussing the probable rate of development of the *commercial use* of atomic energy, I should define what I mean by commercial use. Basically, I mean production of power at costs (including depreciation) that are competitive with power from conventional fuels and *without direct or indirect* subsidy. I use this criterion because it is hard enough to appraise the complicated economic factors that will affect the rate of development, without trying to take into account the unpredictable political and other factors that might lead to all sorts of open or concealed subsidies. Most of those individuals, either in government or in industry, who predict early commercial development by private enterprise are tacitly assuming such subsidies in one form or another. I am not implying that some subsidies are not justified in this important new field, but they nevertheless *are subsidies*.

Specifically, I consider that to qualify as unsubsidized, a commercial power development would have to arrange its financing at commercial rates, pay all taxes, and make a reasonable profit on the investment while charging rates no higher than necessary for a modern plant using conventional fuel. It would also have to take the customary safety precautions, which are quite expensive, pay going prices for uranium or other fissionable material, and value its by-product plutonium on the basis of its fuel value, rather than for use in weapons.

Defining unsubsidized commercial power in this way, I believe most experts will agree that:

(1) There will be few, if any, unsubsidized atomic power plants completed in the United States for purely commercial purposes before 1968. These "few, if any" would be only at points distant from conventional fuel supplies, and with high load factors to help keep down the heavy capital charges of the more expensive atomic plants.

This statement might appear to be surprising in view of the various announcements of so-called commercial plants, at least six of which are supposed to be completed by 1960 and six or eight more by 1963. They involve total expenditures by utility companies of about $600,000,000 and nearly $300,000,000 by the Government. If you check into them, however, you will find that not one of them qualifies under my definition of an unsubsidized commercial plant. For the first, the Shippingport, Pa., plant, the Government has quite justifiably paid over half the capital costs; in others, a substantial part of the cost is being charged to research or shared by a number of interested companies. In others, the principal subsidy appears to be in the form of an understanding with the state public utility commissions that, in the interest of promoting progress, the utility company will be permitted to charge rates high enough to insure a fair return on the heavy investment required. Some of the plants also have indirect subsidies in the price they pay for uranium or other fuels, in arrangements for processing the spent fuel, for atomic waste disposal, or for insurance.

Confirming this viewpoint, Kieth Glennan, former President of Case Institute of Technology, and a former AEC commissioner, had said of these projects: "None of these units is expected to be economically competitive with the average conventional thermal plants." At best their capital cost will be more than twice as much as conventional plants and they will show no saving in fuel costs. At Shippingport, the mere cost of *fabrication* of the fuel elements, an item sometimes overlooked, is reported to be as much as the *total cost of power* in the lower-cost steam plants.

I want to make clear that I am not objecting to the Government, the public utility commissions, or the companies making these arrangements to speed up this important development—it is a real tribute to the progressive drive of America; but I do think many of the general public have been misled into thinking that these proposed plants are expected to be commercially competitive or nearly so. However, I do consider it unsound to build more such subsidized plants *of similar design* until we have learned what we can from operating the ones now being built and can take advantage of the new and better developments which are sure to come.

(2) Sometime between 1968 and 1980 (the timing depending partly on technological developments in nuclear power and partly on the relative price trends of competitive fuels) a moderate, but increasing, proportion of the larger commercial power plants in the United States may well be built without subsidy in the higher cost areas to utilize atomic fuels. However, no existing plants of reasonable efficiency would be shut down or converted to atomic fuel, and the principal effect on the public utility industry will be higher capital requirements, hopefully offset by somewhat lower fuel costs. New conventional plants and hydro plants will still be built for many years in favorable areas.

As was pointed out by Mr. Whelchel, of Pacific Gas and Electric, during the 1953 Atomic Energy Conference, ". . . looking to the future, we do not expect nuclear power to supplant power generated by hydro and conventional steam stations. On the contrary, when and as nuclear power becomes economical, we believe it will fit into the nation's growing integrated power systems without displacing then-existing generating facilities or preventing the construction in the future of hydro and conventional steam power plants."

It is also interesting to note that for a long time to come atomic energy will in this country be a net *consumer* of conventional fuel. Some 20,000,000 tons per year, or about 5% of this country's total coal consumption, is now used by the atomic industry, mainly in separating U235 from natural uranium. The use of such enriched uranium in reactors is in essence a method of concentrating the cheap fuel energy of the Ohio and Tennessee valleys into a form which can be shipped economically into areas where fuel is more expensive.

In view of this situation, it would seem desirable for us to concentrate most of the research and development work in this country on various possible methods of ultimately getting nuclear power at low cost, rather than to engage in a race to install kilowatt capacity regardless of cost—though many in Congress seem to think that we should build more commercial plants, regardless of cost, and have the taxpayers or the consumers pay the difference. However, from the standpoint of national prestige and aiding our friends in Europe, we cannot neglect research on types of reactors which might be of more interest abroad than at home.

The Effect of Atomic Energy On the Oil Industry

With this background, we can proceed to appraise the probable impact of the atom on the U. S. oil industry. In my opinion, the atom as a source of energy will have very little effect on the development of the domestic oil business in the next 25 years. This may seem surprising in view of what I have said about the probable development of nuclear power over the latter half of that period, but let's look at some statistics for the domestic industry.

The principal oil market which might be threatened by atomic power in the next two or three decades appears to be that of fuel for central generating stations, for which heavy or residual fuel oil is practically the only oil product involved.

The yield of residual fuel oil obtained from the crude run in U. S. refineries has declined steadily from 25% in 1946 to 13% in 1958. This is what might have been expected, given two facts: (1) that heavy fuel oil is our only product which generally sells for less than the cost of crude; and (2) ours is a technical industry which is always trying to improve the yield of the more valuable products at the expense of the less valuable. The decline in yield has more than offset the rapid growth in domestic refinery runs during the same period, so even the *absolute* quantity of heavy fuel oil produced in our refineries has declined about 20% while every other product has been increasing. The decline would have been even greater had we not imported more heavy foreign crude, which yields more fuel oil.

However, a more important factor working to cushion this decline in yield has been the growing imports of heavy fuel oil, mainly from Venezuela, which have increased from 2.6% of domestic crude runs to 6.5% over the same period. In absolute quantity, heavy fuel oil imports have increased about fourfold since 1946, though they may decline somewhat this year.

But how much of this production of heavy fuel oil is used for the generation of power? The percentage so used has varied from 11 to 16% and in 1958 was 14%. Even the absolute amount has tended to decline since 1949. The important thing is that only 14% of 19.5% (domestic yield plus imports), or about 2.5% of our total refinery crude runs, is used for power generation in central stations. In 1958 this generated only 6.4% of our central station power.

Certainly the oil industry is not going to be disturbed if it should lose all of this utility business in the course of the next decade—indeed, we may well lose much of it to coal before we do to atomic energy. We will merely continue the process of converting heavy fuel oil to more valuable products.

In view of the burgeoning demand for electric power, which shows no signs of declining, and which can no longer be cushioned by great improvements in efficiency, I regard atomic energy not as a competitor, but as something which will come along in the nick of time to help fossil fuels carry the burden.

Ships likewise use residual fuel. Atomic power is further from being competitive in non-military ship propulsion than it is in central stations today, but it will be no great loss if we lose a moderate proportion of their business in the course of the next 25 years. Oil products will increasingly be used for purposes where they will command a premium because they are economically harder to replace.

The large-volume oil products in the United States are, of course, gasoline and heating oils, and they seem well protected against nuclear competition. Atomic automobiles, trucks, and tractors seem entirely out of the question because of the very high cost of the engines and the heavy shielding necessary to protect users against the dangerous radiations. For the same reasons, atomic furnaces for heating homes are not likely to become popular.

Atomic airplanes for military use are a possibility, but largely because their unlimited range may offset very high cost. With commercial airplanes, cost is much more important. I do not foresee atomic airlines.

In connection with the various transportation devices, people tend to forget the relatively minor cost of the fuel. The American Automobile Association recently released figures showing that gasoline and oil, combined, account for less than a quarter of the cost of driving a car in the United States.

In the case of airplanes, the picture is even more favorable. According to the 1957 financial report of United Air Lines, gasoline and oil account for less than 15% of the company's costs.

Atomic locomotives are a possibility, but hardly a probability. Even if they could be made theoretically safe, can you imagine any town or city being willing to risk the wreck of an atomic locomotive within its limits?

To summarize, it appears that there will be a tremendous and growing demand for liquid fuels of the various types for a long time to come, and that atomic energy does not constitute any real threat to the U. S. oil industry. In the distant future, when oil is not able to supply all the demand, we will make liquid fuels from coal, oil shale, and tar sands.

Seriously, I believe the greatest effect of nuclear power on the oil industry will be to quiet the demands of the rabid conservationists that we must conserve our oil supplies because they are irreplaceable. Irreplaceable as crude oil, probably yes; but the world is, for the first time, assured of the adequacy of its liquid fuel supplies for the indefinite future.

To complete the picture for the oil industry, it should be added that natural gas currently supplies about three times as much fuel to central power stations as does oil, or about 18% of the total fuel equivalent. Most of that is in areas where natural gas is very cheap or where dump gas is available at low prices during the summer months to keep the pipelines running full. The percentage so used will tend to decline in the future, regardless of atomic en-

ergy, as field prices of gas tend to advance and underground storage becomes more generally available for summer use near the ends of the pipelines.

The Picture in Other Countries

As to the effect on the foreign oil industry, that depends greatly on the rate of development of the use of nuclear power *abroad*, so I will first proceed to a discussion of those problems, which greatly increase the complexity of an already complex subject. There are, however, a few important generalizations which can be made, and some popular misconceptions which should be challenged.

Possibly the most important popular misconception is that nuclear power offers great promise to lift the underdeveloped countries quickly out of the difficulties which result from an inadequate power supply. While there are differences between these countries in the cost and availablity of oil, gas, and water power, as well as in other factors, in general the underdeveloped countries will be among the *last* to be able to employ nuclear power to good advantage. This is due to a combination of reasons.

In the first place, nuclear power, to come close to being competitive with conventional power, needs to be installed in large units, with high load factors and without having to incur the heavy costs and losses of long-distance transmission. This is, of course, due to the high capital investment involved in nuclear plants, and the fact that this cost per unit of output drops rather rapidly with increasing size. A country like England, which has a well-developed, high density power transmission grid, can much more readily integrate into their system a number of large units to handle the base load, and operate them with a load factor of 75 or 80%. Most of the underdeveloped countries, on the other hand, really need power plants of relatively modest size at scattered locations, and can scarcely expect to have a high load factor for many years.

Furthermore, even if nuclear power were close to being competitive under the circumstances prevailing in these countries, the high investment cost—at least twice that of conventional plants of similar size—means that underdeveloped countries would have better use for their limited capital in other fields and would prefer to pay slightly higher direct operating costs. They could not justify, even for government-owned facilities, as low total charges for capital as the 9% which England currently figures for interest plus depreciation—apparently they include nothing for local taxes or insurance.

Another difficulty facing underdeveloped countries is the absence of domestic plants for the manufacture and maintenance of the large amount of special equipment and supplies needed by nuclear plants, and of facilities for reworking spent fuel elements, handling waste disposal, etc. Still another would be the difficulty in many countries of getting the trained personnel necessary for safe operation.

Sad as it may seem, economics would therefore indicate that nuclear power will probably make much more rapid progress in industrialized countries with high power requirements, and would of itself tend to *widen* the gap between countries, rather than serve as the "great equalizer" which some have hoped.

Of the European countries, it is not surprising that England has made the most progress in installing nuclear power. They have a small proportion of water power in a highly industrialized country and their domestic coal, on which their industry was largely built, has had its best seams seriously depleted, so that they have neither enough cheap coal nor enough miners to take care of their prospective demand. In the last third of a century they have gone from being a major coal exporter to a substantial importer, though they are still producing plenty of steam coal. Heavy fuel oil is being increasingly used, but it usually costs a little more and involves some foreign exchange problems, so they have felt it necessary to get an early start on atomic energy.

England also has a relatively high-density power grid, so that they can readily fit in large blocks (100,000 KW or more) at various strategic locations between large cities. They are also developing capable suppliers of equipment, parts, and fuel elements for these plants, as well as fuel reprocessing and waste disposal facilities. At Geneva last summer they estimated that they will build stations between now and 1965 of close to 5,000,000 KWH capacity—between 20 and 25% of their then-installed electrical capacity.

In addition, England has a substantial nuclear weapons program for which they wanted to produce plutonium, so they decided to kill two birds with one stone. At present they are building large nuclear plants with gas-cooled reactors of improved design at a capital investment per KW just about twice that of modern coal-fired plants, but they figure that, with the high burn-up of nuclear fuel they now confidently expect, their cost of fuel will actually prove to be slightly less, though they admit that their overall cost of power will still be higher. Furthermore, their foreign exchange cost for raw uranium would be only 18% of the cost of imported coal—still less if they allow credit for the plutonium made as a by-product.

Most of the other large industrial countries of Europe are working aggressively on the problem. Their needs are in general not so pressing and their capabilities not as good, so they will in general lag behind England some five to eight years. Since they can afford to wait a little longer before taking a major plunge into nuclear power, they will profit by prospective improvements in design and should in general finish up with plants of higher average efficiency, and quite possibly they will build largely reactors of the breeder type, still to be perfected, which will still further reduce their import requirements.

The recent action of the SENN group of power companies in Italy, at the instigation, and with the help, of the World Bank, has been particularly gratifying, and might well serve as a model for future projects in European countries. In the first place, they let the contract on the basis of real international competitive bids. These were analyzed very carefully by a study group, which was largely Italian, and an international panel of nuclear experts selected by the Bank. The size of the project—150,000 KW—was large enough so that the project would not be too far from economic, and it was important enough as a precedent that there were many competent bidders. I happen to know that some of them, at least, really got out their sharp pencils and were willing to take chances on actually losing money on account of the prestige involved. Americans were glad to note that the competition was won by an American company (G. E.) and that the reactor type chosen was a boiling-water enriched-uranium developed in this country.

In general, it would seem likely that in England and possibly one or two other countries of Western Europe atomic power plants will become competitive some five years earlier than in the United States, but that they will even then not replace any existing plants of reasonable size and age. In the rest of Europe, I would expect the time when power would become competitive would be similar to that for the higher-cost areas in the United States. However, once this occurred, the use of atomic power would probably develop more rapidly than in the United States, where there is such a wide range in competitive fuel costs in different areas. Also, European power plants would be much more subject to considerations of national policy, such as the foreign exchange situation.

To appraise the effect on the oil industry, the statistical picture of foreign fuel oil shows that the yield of heavy fuel oil in the free world outside the United States is much higher than that in the United States. Whereas the latter has steadily declined from 25% to 13% in the last 12 years, that of the free foreign world has gone from about 46% to about 41%, and all of that decline has taken place in the last six years. This would seem to mean that the free foreign oil industry might be much more vulnerable to atomic energy than the United States. However, the surprising fact is that only about 3% of the free European electricity generation is fueled by oil, and about the same percent by natural gas. About 40% is generated by falling water and over half by coal.

It therefore appears that even if atomic power becomes competitive somewhat more rapidly in most European countries than in the United States, it cannot have any serious effect on the European oil industry, especially since atomic energy will, as in the United States, mainly be used to take care of the growth and will probably not shut down any reasonably efficient existing plants, though it may tend to cut down their load factors.

Except for Canada, whose situation is much like that of the United States, nuclear power in most other parts of the world will in general develop much more slowly. In some cases this is because of the existence of very large deposits of oil in or near the countries involved, in some cases due to their inability to fit large blocks of power into their picture, and in some cases to an overall shortage of capital. Some of the underdeveloped countries already have ambitious projects for power installations in the near future, whereas they might better concentrate their efforts on the development of water power or small diesel installations to take care of their immediate needs at lower costs, and avoid the heavy expense and technical difficulties of working on nuclear power at this stage of its development.

As to the other products of our industry, the picture abroad is much the same as in the United States—there is nothing in sight to indicate that atomic energy can cut into the market for gasoline, diesel fuel, or light heating oils. I look for the recent trend toward higher yields of light products to continue, and they could go considerably further in that direction, though not as far as in the United States where the crude averages much lighter.

Light Atoms

So far, I have discussed only about power from the fission of heavy atoms. What about the widely-touted power from the fusion of light atoms, and particularly from deuterium, of which there are almost unlimited quantities in the oceans? It has many attractive features — relatively low-cost raw material, no radioactive wastes, etc., and we know that it has long been used on a tremendous scale — but at least 93,000,000 miles away—in the sun!

Many laymen think that the idea of power from fusion is newer than that of power from fission because fusion bombs came later than fission bombs. As a matter of fact, however, the basic idea of making power from fusion has been thought about and worked on for over a quarter-century, ever since it became well established that the sun and stars derived their heat from such a process. The tremendous difficulties of heating anything to a temperature around 100,000,000 degrees necessary to start the fusion reaction, or of containing it at those temperatures, seemed to interpose insuperable obstacles. When fission came along, it was welcomed as something which might be controlled, as it now has been. Fission bombs did, however, make it possible to get, for a tiny fraction of a second, at the heart of an atomic explosion, the temperature required to start fusion. Controlling and containing it for power generation is, however, quite another thing. Many complicated schemes of containment by a magnetic field have been tried and a tremendous amount of money and research effort have been expended on the problem without anything like a break-through having been achieved. I agree with Dr. Edward Teller's statement as Geneva that he did not look for economical power generation from this source in this century. The only thing which I, as a nonphysicist, can conceive of as ever solving the tremendous problems, would be to actually use the explosion of fusion bombs in very large underground caverns—say in salt domes or beds—as a means of generating steam at high pressures and using this for power generation. One can see many difficult technical and economic problems in this, but at least it is something that a mere chemical engineer can conceive of as a possibility.

The existence of the possibility of controlled energy from fusion, like many others of the possibilities, serves to emphasize one important point, and that is that our real future resource is not any substance. It is not so many barrels of oil in the ground, or so many tons of coal, or even the nuclei of so many fissionable atoms. Instead, it is science and technology. If we have alert scientists and engineers, and have freedom for them to explore and develop, and if we maintain the incentives for industry to put them to work, *there will be no continuing shortage of anything that people really want and need.*

Douglas Microwave Co. Stock Offer Completed

Simmons & Co. of New York City on July 28 offered 100,000 shares of Douglas Microwave Co., Inc. common stock at a price of $3 per share. The offering has been completed.

Net proceeds from the sale of the common shares will be used by the company for various corporate purposes, including research and development, additional equipment and machinery, to retire certain loans, for plant additions and for working capital and expansion.

Douglas Microwave Co., Inc. is engaged in designing, manufacturing and selling microwave components and test equipment, as well as research and development in the field of microwave energy. The company's principal operations are carried on in a plant in Mount Vernon, New York. For the year ended March 31, 1959 the company and its subsidiaries had consolidated sales of $645,581 and net profit of $66,641.

Upon completion of the current sale of the common shares, outstanding capitalization of the company will consist of 315,000 shares of common stock.

Continued from first page

As We See It

of the President, can create any sort of banking and monetary system it deems best, the limits being only the Constitution of the United States. It can, if the President agrees—and even if the President does not agree, assuming sufficient majorities—abolish the Federal Reserve System, and set up some other agency which will be as obedient to the "sense of Congress" as desired. Such a new agency could be given a mandate to buy any and all varieties of Treasury obligations under conditions to be set by Congress. So much for the notion of an "independent" Federal Reserve system if and when Congress wills otherwise and has the courage to proceed with its madness.

But Congress has as yet done no such thing, and we most earnestly hope that we shall not live to see the day when it does. What it has done or purported to do is to create a Federal Reserve System and place it under mandate to perform the normal functions—whatever they are under present conditions and present day thinking on such matters—of a central bank. It has provided for the selection of men of experience and judgment to manage that system. There is nothing in the law and nothing in the concept of a central banking system so conceived and so organized that would require or even suggest that the specialists chosen to operate the system go to Congress or any group in Congress for assistance or guidance in the performance of their highly technical duties. It is very difficult for us to believe that all this is not well known and understood by Mr. Rayburn.

Of course, this is a real world in which we live, and it would be naive indeed to suppose that members of the Board of Governors of the Federal Reserve System do not —along with members of the Supreme Court—read the daily newspapers or are not aware of the general political trends of the times as reflected in Congress. They are naturally well aware of the power of Congress to alter their system and their powers at any time. They must almost perforce keep alert to these things and doubtless, as unfortunate as it is, the awareness of it all has its influence upon policy. There is, however, no need whatever for Mr. Rayburn or anyone else to make their road rougher and more stony, and the country would be much the better off if no such behavior were indulged in by members of the national legislature.

"Sense" and Nonsense

The "sense of Congress" in such matters is, in any event, very likely to be nonsense or worse, as it was in this case. The political powers that be and two world wars have vastly complicated the tasks of central bankers the world over. Time was when the central banking theory was relatively simple and in certain quarters well understood and expertly practiced. World War I badly upset the apple cart both as respects conditions in the various countries of the world and the thinking that had governed and guided central banking. The New Deal abolished the gold standard which was one of the key forces in the management of credit in days gone by. World War II increased the national debt to astronomical proportions and left it all too largely in short-term form and in the hands of the banks, especially the Federal Reserve banks.

Here was a situation trying enough in all conscience, but things had meanwhile happened to popular thought—and for that matter to technical thought — that have tended not only to continue these conditions but to threaten to make them permanent. So morbidly fearful were we of a horrible postwar depression, and so vivid were memories of the depression of the 'Thirties, that all sorts of so-called built-in stabilizers (often called that in order to cloak their real nature) were created at enormous public expense. After certain early postwar adjustments of a technical nature, the national debt began to rise and is now higher than it has ever been. Thus the problems of the Treasury tend to reinforce the demands of those who would have the Federal Reserve eternally expand.

The reformers have thrown practically all the accumulated wisdom and experience in central banking overboard. The tasks of the central banker are infinitely more difficult today than in pre-World War I. No one has seriously attempted to formulate a well-rounded coherent central banking theory under conditions such as those that exist today, but despite all the changes and notwithstanding all the newness of conditions existing today, some elementary truths are more or less self evident. One of them is that in times such as those now existing—we should be tempted to say under any conditions — the central banking authorities are not warranted in substituting funds of their own creation for savings which are absent or insufficient for the demands of the day. How one can possibly doubt the essential truth of this simple rule, we are at a loss to understand.

Yet this is precisely what all too many, including some members of Congress, would have the Federal Reserve authorities do. The fact that it has not been doing it of late is precisely the reason for the expression of the "sense of Congress" in the proposed legislation which is now in dispute. When the Federal Reserve authorities cease to be at least partly immune to such a "sense of Congress," we shall have come upon evil days. Let no one doubt that for a single moment.

Continued from page 3

What Can Be Done to Improve Government Securities Market?

well as to the public interest in a well-functioning market economy. The job to be done first of all is the matching up of purchases and sales by investors and traders. But it also involves the Treasury as issuer of new securities and the Federal Reserve through the execution of its monetary policies. It is the conclusion of our joint study to date that both the broad public interest and the special interests of the Treasury and the Federal Reserve—which are, of course, designed only to serve the public interest—are being effectively served through the present market. Those who participated in our study, including a broad range of investors as well as dealers and brokers, were virtually unanimous in the view that the present type of over-the-counter dealer market in government securities is preferable to an exchange, auction-type market. Even if confined to bonds, and therefore excluding bills, certificates and notes, the exchange-type market was regarded as an unsatisfactory alternative.

No Trouble With Large Transactions

Probably the most important standard of performance required of the government securities market in serving existing interests is its ability to handle without disruptive price effects the typically large transactions that arise as large institutional holders adjust their liquidity and investment positions. These individual transactions—by commercial banks in adjusting their reserve and portfolio positions, by corporations adjusting to their cash flow needs around dividend and tax dates, or by savings institutions or other institutional investors in making portfolio changes—often run to many millions of dollars, particularly in short-term issues. If these holders were unable to purchase and sell readily in such large amounts, their interest in Treasury issues would decline.

The dealers in government securities appear to have developed better facilities and techniques for handling large transactions promptly and without excessive price effects than would be possible in an organized exchange. They do this by purchasing and selling for their own account; by maintaining substantial inventories of securities in different maturity categories; by a chain of transactions with other dealers—purchases, sales, and exchanges or swaps; and by keeping themselves informed, through their nationwide organizations or correspondent networks, of major sources of supply and demand for government securities throughout the country. In its operations, the dealer market acts as a buffer to equalize hourly and daily movements in supply and demand, and to absorb the impact of large individual transactions that might otherwise result in abrupt price effects or undue delays in execution of orders.

The specialized dealer market provides a number of other services that institutional customers consider to be valuable. The cost of a transaction in this market is very small because of the large volume of business, because of keen competition among dealers, and because dealer profits do not depend solely on trading margins. A significant part of dealers' earnings is derived from managing their own portfolios and from supplying, through repurchase agreements, investment instruments which have the exact maturity date needed by customers. Such operations also, of course, involve risk of loss.

The dealer market is effectively organized to serve customers throughout the country even though its organization is informal. Transactions are completed promptly by telephone and customers know the price or price range when the order is placed for execution. Moreover, through their intimate experience with the highly technical aspects of each Treasury issue as well as the ways in which the Treasury, the Federal Reserve, and the money market operate generally, dealers provide specialized market advice that customers value. The primary dealers further provide important services in the secondary distribution of new Treasury issues. They also provide a convenient point of contact for Federal Reserve open market operations in short-term government securities.

Answers Three Criticisms

The major defects attributed by some critics to the dealer market in U. S. Government securities reflect three features: first, the market is concentrated in a relatively small group of primary dealers and therefore may not be as competitive as an organized exchange market; second, there is little information about its operations, without supervision or formal rules governing its practices, despite its special public interest; and third, the market is not geared to handling small and odd-lot transactions nor is it especially interested in them.

As to competition, there is no question that the primary dealer market is very highly competitive, even though it comprises only 12 nonbank firms and five bank dealers, most of whom have central offices in New York City. There is necessarily spirited competition between the dealers for the available volume of trading business. Any offers to sell at a price even slightly below the market usually are quickly taken advantage of, as are offers to buy at anything above whatever the price may be at the moment. In volume, the government securities market is by far the largest financial market in the country. It handles each year a dollar volume of transactions approximating $200 billion, or more than five times as much as the dollar volume of transactions in all corporate stocks as well as bonds on the New York Stock Exchange.

The dealers are principally wholesalers and their customers consist of several hundred nonfinancial corporations, several thousand commercial banks who submit orders both for their own account and for customers, other security brokers and dealers handling transactions for customers, hundreds of insurance companies, mutual savings banks, pension funds, and savings and loan associations throughout the country, the special funds of State and local governments, personal trust accounts, and some individual investors of substantial means. These investors and traders who use the market to buy or sell are generally themselves expertly informed and experienced in investment matters: each is seeking the best return on the funds he places in government securities; each is continuously comparing these returns with those on alternative investment opportunities; and each of the larger investors, who regularly use the services of several dealers, is constantly comparing the relative performance of the dealers with whom he is in contact.

In this type of highly competitive market, the dealer who succeeds must execute the buy or sell orders of these numerous and varied investors promptly and efficiently and the business must be handled in accordance with high ethical standards. Moreover, if he is to obtain future business, such investment advisory services as the dealer renders his customers must stand the test of time.

Each of the primary dealers, through one means or another, operates throughout the country because broad coverage is essential to the maintenance of a sufficient volume of business for profitable operations. This is probably a major reason why there are not more dealer firms active in the market. Another reason, according to information received in this study, is that the number of qualified and experienced personnel available to staff new firms is relatively small.

No Formal Rules

Regarding the criticism of market mechanics, it is true that the dealer market makes available to the public practically no information on its operations other than market bid and offer quotations. There is no requirement for making available either to the public or to a duly constituted authority the records of dealer net positions in securities or amounts borrowed, such as are required of members of the New York Stock Exchange.

The lack of formal rules, supervision, and adequate information leaves the market open on occasion to suspicion that it may not always be operating in the public interest. It has been suggested that in instances dealers' interests may conflict with those of customers, that dealer operations may unduly accentuate swings in securities prices, and that dealer advice may not be entirely accurate. There was, however, little or no evidence gathered in the study that such problems are common in the dealer market. All of the market customers consulted in the present study expressed their full confidence in the government securities dealers, individually and as a group, and testified to their high standards of integrity and business practice.

Small- and Odd-Lot Transactions

Concerning small transactions in the market, consultants to the study have indicated that they generally go through other brokers and dealers and commercial banks, and that when they reach the market they are handled promptly by dealers at a relatively low cost that is in part subsidized by the large transaction. As the dealers are organized pri-

marily to handle large transactions, it is understandable that they view the small deals as an accommodation, and do not actively encourage them. It seems clear that if facilities designed more specifically to serve small investors' interests in marketable bonds are to be established, there would have to be some additional incentive provided.

NYSE Looked Into the Matter

The New York Stock Exchange, prompted by our study, reviewed the potentialities for re-establishing a vigorous auction-type market in government securities on the Exchange. After extended consideration of the matter, however, Exchange officials concluded that, even though such a development was theoretically possible, problems raised by the suggestion would be insurmountable unless both the government and the Exchange shifted a number of fundamental policies.

One specific problem to be resolved is the difficulty under existing conditions of encouraging Exchange specialists to take the financial risk of making a market in government securities. The specialists would be in competition with established government securities dealers. In addition, they might on many occasions need to build up very large positions in government securities, since this is a heavy volume market and, when sharp price movements occur, quotations on maturities throughout the list tend to move together much more so than in the market for specific corporate stocks or bonds. Finally, because of the public nature of transactions at Exchange trading posts, specialists taking positions to make orderly and continuous markets would be unduly exposed to possible raids by non-member dealers and other large traders.

There is also the problem of developing an adequate incentive for handling government securities on the Exchange through a commission schedule that would be competitive with narrow spreads prevailing in the dealer market.

Other conditions set by the Exchange for an effective auction market under its auspices would be:

(a) A larger supply of long-term government bonds in the market especially of bonds attractive to individual investors through tax exemption or other special features since these investors now find only limited interest in governments other than savings bonds.

(b) The placing on the Exchange of all Federal Reserve agency transactions in bonds, possibly plus official support of the Exchange market; and

(c) A potential requirement for the execution of all transactions of member firms in government bonds on the Exchange, except for some "off-floor" trades in special circumstances.

(d) Some protection of the position of member firms who are acting as government security dealers.

The Exchange did not suggest that its facilities could be adaptable at all to trading in Treasury bills, certificates of indebtedness, or notes, which together constitute more than half of the outstanding marketable Federal debt and are also the issues in which the overwhelming volume of market transactions takes place.

These conditions make it clear to us that it would be difficult to develop an auction-type market for government securities on a broad scale under the existing organized exchange mechanism.

The alternative approach of improving the mechanism and institutions of the present government securities market by carefully studying and remedying defects in the dealer market as they come to light, appears to us to promise results that will serve the public interest. At the same time, the New York Stock Exchange should be encouraged to develop further the auction facilities it now provides for transactions in government bonds. The total market cannot be harmed and may indeed be improved by more active competition between the Exchange market and the dealer market in bond trading.

Areas for Improving Market Mechanisms and Functioning

Our study was launched, as stated earlier, in the hope that the suggestions advanced and problems revealed might indicate certain improvements in the way the government securities market operates, with particular emphasis on the prevention of future speculative excesses in the market. In the light of consultants' suggestions and of findings of our factual review of the 1957-58 market experience, our study group initiated four supplementary studies to evaluate possible means of improving the market's functioning. These are in the nature of working papers for consideration by Treasury and Federal Reserve officials. As their preparation has just been completed in preliminary form, they have not yet been reviewed. Hence, they cannot be interpreted as reflecting any official recommendations for market improvement. There may also be other supplementary studies undertaken as we re-examine market processes and mechanisms and we naturally intend to pursue this phase of our inquiry as far as will serve a constructive purpose.

Better Objective Information

A first area of supplementary study pertains to the adequacy of statistical and other information relating to the dealer market. As mentioned earlier, it is commonly recognized that openly competitive and efficient markets are characterized by informed buyers and sellers. A broad range of objective information needs to be available to serve effectively the interests of all market participants, including the Treasury as issuer of securities for the market and the Federal Reserve as it participates in the market in regulating overall credit and monetary conditions. In this light the present flow of information relating to the market is inadequate, a point that was agreed to by many of our study consultants.

As a result, our study group undertook a thorough analysis of the information that ought to be regularly available. We were encouraged in this by the excellent cooperation received from dealers and other market participants in supplying information for our review of market experience in 1957-58. We believe, therefore, that a reporting program can be worked out by the Federal Reserve and Treasury staffs to put an adequate information program into active operation in the not too distant future.

Three Approaches to Sounder Credit Standards

A second area of supplementary study is the credit financing of government securities transactions. Last year's market experience has clearly indicated that at times an undue amount of speculation financed on thinly margined credit can be detrimental to the market and that competition of lenders in extending credit to prospective holders may result in deterioration in appropriate equity margin standards. This experience raises the question of the need for some action to assure that sound credit standards will be consistently maintained by lenders in credit extension backed by government securities and also to keep the total volume of such credit from expanding unduly at times.

Our study has indicated that there are three approaches which the government might consider in dealing with this problem: first, a statement by bank supervisors to each lending institution within its jurisdiction indicating minimum margins to be adhered to as standard; second, a requirement that each investor participating in the exchange of maturing Treasury issues for new issues state his equity position in those securities in compliance with Treasury standards (plus the continuing requirement by the Treasury of appropriate deposits on subscription to its new issues offered for cash); and third, the introduction of special margin regulation, similar to that now applicable under the Federal Reserve Board Regulations T and U to the purchasing or carrying of corporate securities. The latter type of regulation would, of course, require Congressional action, since present law specifically exempts government securities from this type of credit regulation. It must be re-emphasized here that these are merely possible approaches; they have not yet been fully appraised by either Treasury or Federal Reserve officials and other alternatives may be developed in the light of additional study.

Use of Repurchase Agreements

A third area for special study is the use of the repurchase arrangement in credit financing of government securities. This is not a new method of credit financing, but it is a method that is easy to apply to government securities transactions and, because of its flexibility and adaptability, has become much more popular in recent years. Government securities market activity last year brought to light certain uses of repurchases that were not in the public interest when such financing was arranged without the borrower putting up adequate margin. The study discusses various alternatives which might be applied to prevent future abuse.

Developing a Dealers' Organization

A fourth area of special study of the existing mechanism of the government securities market relates to its present lack of formal organization. In our consultations, a number of market participants and observers suggested that the market might be improved and strengthened through cooperative action of primary dealers themselves, working through a dealers' association. Various specific functions that an association might perform to improve the market's functioning were indicated, including: (a) the adoption of standard rules to assure fair treatment of buyers and sellers in both large and small transactions; (b) the development of standard practices to help maintain dealer solvency; and (c) greater liaison between the Treasury and the dealers in Treasury financing operations. It was also suggested that a dealers' association could be useful in identifying primary dealers in government securities both to improve dealer service and to apply any market rules which may be adjudged in the public interest. Since the possible advantages of such an organization as well as its possible disadvantages obviously require careful and detailed examination, the task of this supplementary study has been to make this much-needed evaluation.

A question that naturally arises at this point is whether in the light of the present study there will be any occasion later for special legislative requests pertaining to the operation of the government securities market. This question cannot be answered yet. Before it is, we must try to determine what can be accomplished in improving market processes and mechanisms without legislative action and then ask whether these improvements are enough. The fact of the study itself, together with educational efforts undertaken by the Treasury and Federal Reserve System, has already set in process a fuller appreciation on the part of market participants of the undesirable effects of certain market practices. If we find that desired improvement of market mechanisms and institutions requires new statutory authority, we will propose appropriate legislation to the Congress.

Markets are dynamic economic institutions. They require successive adaptation to changing needs. From the standpoint of the public interest, study of these adaptations is never-ending. Study efforts may be intensified from time to time, as in the case of the present Treasury-Federal Reserve study, but they are basically continuous. Continuing observation and study of the government securities market is a responsibility which both the Treasury and the Federal Reserve recognize.

In conclusion, we repeat that improvement in the processes and mechanisms of the government securities market will in no way solve our problems of fiscal imbalance. Nor can they correct our problems of too much short-term public debt; of our need for continuous flexibility in our approach to monetary policies; of attaining a volume of savings which will match our expanding investment needs; or of the cyclical instability of our financial markets. These are basic problems. We must all work toward their ultimate solution in the public interest.

Railroad Securities

Gulf, Mobile & Ohio

Earnings and traffic of the Gulf, Mobile & Ohio this year have shown marked improvement over those of 1958. Gross revenues in the first five months of the year registered a gain of 5.3% over a year ago. At the same time, operating expenses were kept under control and actually declined 1.8% despite the higher gross, reflecting improved operating efficiency. It is anticipated that revenues in the second half of the year will maintain the earlier pace and for the full year the carrier will show a net income of around $3 a common share as compared with $2.32 reported in 1958. Such projected earnings would comfortably cover the 50-cent quarterly dividend rate.

The road has benefitted from the industrialization of the territory, served, although competition from other railroads and forms of transportation have tended to slow the rise in gross revenues. It might be noted that Gulf's revenue per ton-mile was only 1.30 cents in 1958 as compared with 1.46 cents for the Class I rail average. The profit margin of the road reflects the high degree of competition, with the carrier unable to increase freight rates appreciably to offset higher wage and material costs. The narrowing of profit margins has occurred in the face of improved efficiency through dieselization and property modernization.

Gulf's traffic is well diversified, with no single commodity producing more than 5% of freight revenues. Manufactures and miscellaneous traffic account for approximately 55% of total freight revenues, higher than the industry average of about 49%. Expansion of paperboard and wallboard plants in the service area have added to carloadings in recent years. Construction of two large paper mills along the line was recently started. The latter, together with further industrialization, should add further to the road's traffic potential in coming years.

Steps have been taken to cut losing passenger business. In the past 10 years the number of passengers carried has dropped 45%, while passenger train-mileage has been reduced 53%. The passenger deficit, on a direct cost basis, was cut to $1,811,000 last year from $2,561,000 in 1957. In 1958 passenger train-miles were reduced 13.9% from the preceding year and additional progress is anticipated this year. In the first four months of this year, passenger train-mileage was further cut by 37.5% from the like 1958 period.

Capital expenditures this year are expected to be below the $2,900,000 of 1958, which was off substantially from the $9,200,000 of the preceding year. It has been indicated, however, that this year's budget might be increased if the road receives a $4,000,000 tax refund claim which is pending. Meetings are scheduled to be held with the Internal Revenue Service and it is possible that a settlement might be reached by the end of the year. Indications are that $1,500,000 in interest would be taken into the income account and the balance into surplus.

Gulf's financial position continues to be strong. Cash and cash equivalents on May 31 amounted to $22,294,000, while current liabilities were $20,263,000. Net working capital totaled $19,017,000 compared with $14,968,000 on the like 1958 date, a sizeable improvement. Depreciation charges this year are excepted to exceed equipment trust maturities and sinking fund requirements by about $1,800,000, adding to the cash flow.

With Auchincloss, Parker

POTTSTOWN, Pa.—Auchincloss, Parker & Redpath, members of the New York Stock Exchange and other leading exchanges, announce that William R. Oberlander is now associated with them as a registered representative in their Pottstown, Pa. office at 620 High Street.

Form Tri-County Planning

VALLEY STREAM, N. Y.—Tri-County Planning Corp. has been formed with offices at 101 Rockaway Avenue to engage in a securities business. Officers are Albert V. Bianco, president and secretary; and Theodore P. Allocca, treasurer.

Form Waynco, Inc.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Waynco, Inc. has been formed with offices at 548 North Lake Shore Drive to conduct a securities business. Officers are Louis H. Wayne, president; Rydar J. Olsen, vice president; and Sylvan Lipshutz, secretary-treasurer. James D. Van Gundy is also associated with the firm.

Shuman, Agnew Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Park T. Dingwell has become connected with Shuman, Agnew & Co., 155 Sansome Street, members of the New York and Pacific Coast Stock Exchanges.

With Henry Swift

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Dennis George has become associated with Henry F. Swift & Co., 490 California Street, members of the Pacific Coast Stock Exchange. He was formerly with Grant, Fontaine & Co.

Continued from first page

Why Profits Cannot Finance Wage Increases or Price-Cuts

they opposed profit control under price control. The Government treaded lightly when requiring cost absorption by business under price control. The Government reiterated repeatedly that it was not interested in controlling profits. Yet, where the Government feared to tread, organized labor enters heedlessly.

States Prices Are Competitively Set

First, we must understand that supply and demand still set prices. The suppliers cannot control what consumers are willing to pay and what amounts consumers are willing to take at those prices.

Second, we must recognize that firms in any industry vary in size and in efficiency for any number of reasons, some of which have little to do with the efficiency of management or workers.

Third, we must realize that to relate wages to profits will require that different wage rates exist in different companies for the same work. Otherwise, prices of similar goods produced by different firms will have to vary. The unions in effect would be in the price-control business. The goods of the efficient companies would be lower priced than those of the other firms. There would be black markets and marginal producers would be forced to the wall.

On the other hand, if instead of differential pricing there are differential wages, then a new industry-wide wage structure would have to be established providing for higher wages for those in certain plants. Union restrictions would police this vast wage structure just as it polices seniority and other restrictions. A new element of exasperation would become operative to thwart and destroy the motivations of all other factors of production.

Where will all this damage and difficulty take place first? The answer is at the margin where the pricing forces are operating, where a whole company either is or is not in business. This can be illustrated rather dramatically in the case of virtually every industry. However, because the steel industry is currently engaged in a wages - versus - profits controversy, it might prove to be more interesting to draw some examples from this industry.

Select three steel companies, say, Pittsburgh Steel, Colorado Fuel and Iron, and Sharon Steel. Their combined after-tax net income over the past four years, 1955-1958, inclusive, was slightly over 3% on sales, about one-half the industry average. Does such a profit rate permit any wage payment out of it? Absolutely not! The rate is not even enough to adequately perform the function of expansion and cost reduction.

Actually, this rate would be reduced in half if allowances are made for necessary depreciation in excess of tax-permitted allowances. Also, this does not include reserves for contingencies. The steel industry just as any capital goods industry, is characterized by an inherent instability often called "prince and pauper."

Thus, out of the true earnings of about 1½% on sales, these companies must either finance their capital expenditures or attract capital from the outside. Most of this capital is in the form of stockholders equity rather than long-term debt. During the four-year period, the former consisted of four dollars for every dollar of the latter.

A Tough Struggle

It seems amazing that these companies have been able to make capital expenditures amounting to about 75% in excess of either their allowable depreciation or their aggregate net income. The net income as a per cent of net worth unadjusted for inadequate depreciation set-asides was 6.5%. Adjusting for insufficient depreciation would reduce this to 3.3%. Furtner adjusting the net worth from book value to current dollars would reduce this figure to 1.7%. This is hardly enough to attract investors today.

An increase in hourly earnings of say 10 cents per hour or somewhat under 4% would clearly place these companies in deficit positions. Employment, which has declined slightly over the period covered, would be wiped out entirely.

There should be no question about the fact that profits must pay for use of capital and therefore constitute an economic rate of interest rather than profits on stockholders equity. Moreover, profits must finance the extent to which depreciation allowances are insufficient since they are based on acquisition rather than on replacement costs. Finally, profits must attract new monies for investment in new equipment, if progressive firms are to keep from being marginal firms.

Fallacious Reasoning

Even for the average or above-average firm the wage encroachment on profits is based on fallacious reasoning. It is incorrect to assume that non-wage costs, constituting more than 60% of the value of sales, have not gone up at the same time as steel wages have gone up. In addition, it is fallacious to assume that even without a wage increase, these other costs will not rise. It is commonly accepted that as the prices of raw materials increase, so do the prices of finished goods. Then why should it not be assumed that as wages rise, so will the prices of the finished goods?

Even if labor had the power, through government regulation, to prevent other contributors to the production process from receiving what consumers have voted through their purchases to allocate to them, the result would be relative stagnation of production and investment at a time when the growing labor force requires the utmost in economic opportunities.

Benefits of Labor Restraint

Labor, however, has the power to abstain from wage increases which merely result in a continuation of the inflationary spiral. The exercise of such restraint would result in innumerable benefits. It would be comparable to the achievement of social reform and betterment through the endeavor by each individual to become a better person. Self-improvement in this manner is the most assured way of achieving social improvement. It is far better than the attempt by some to control others or to impose their wishes on others.

Price-Cut Agitation

Along these lines of self-righteousness, it would be prudent for some organs of the press to cease beating the drums for a cut in steel prices, because it implies that this too can be financed out of profits. Such implications provide precisely the assistance which labor strategists use to their advantage.

Of course, as technological improvements and mechanization continue, the reduction of production costs can and should be shared by the owners of capital, by labor and by consumers. However, the allocation of such shares can be determined only by the consumer. As his demand increases, perhaps in response to changes in price, the resulting increased demand for more labor and more capital and raw materials will make possible increased payments to these factors, all out of reduced costs per unit produced.

A price cut which eliminated profits would have the same harmful effects on investment and further production as an absorbed wage increase. With the country short of capital, curtailed largely by heavy military spending and foreign assistance, the resulting further curtailment of capital formation would be most serious. For this reason some of the best economists in the country have accepted the need for moderate inflation, resulting in forced savings and higher profits than would otherwise obtain, to finance the necessary investment for our expansion. Other economists, nevertheless, have argued that voluntary savings without inflation could finance the needed investment with less risk to the economy.

Inflation Can Kill Growth

This risk stems from the process of discounting future inflation by demanding high interest rates in return for the use of savings. However, this tends to increase the costs of investment and all costs generally, resulting in a further discounting or adjustment of demands in the light of inflationary expectations. The process is cumulative and demoralizing. It can help the patient but it can also kill the patient if used too much.

It is unfortunate, indeed, that workers are not fully aware of the role of profits in increasing their real incomes. For example, one may well be amazed at the tremendous increase in employee compensation relative to profits during the past 10 years. Corporate compensation including fringe benefits paid to employees was $90 billion in 1948 and increased to $158 billion in 1958. Corporate after-tax profits, however, was $20 billion in 1948 and $18 billion in 1958.

The amazing increase in the share going to employees, especially relative to the share going to profits, could not have resulted from a wage-price squeeze on profits. The substantial increase in labor purchasing power could not have resulted from a confiscation of profits. Yet, arguments are currently being given to increase purchasing power at the expense of profits. This is impossible since the beginning of a wage-price squeeze means the beginning of excessive unemployment. Thus, the greatest caution must be exercised against sacrificing production, employment and investment at the altars of fallacious ideas of ways to increase purchasing power. The best precaution is to avoid any method which results in a cost-price squeeze, which means precisely a profit squeeze.

Surveys are constantly made of investment plans. These surveys show that the plans call for increases in investment when profits are up and decreases when profits are down. The experience of the recent recession and recovery bears this out. One way of getting another recession is to discourage the investment which is getting us out of the recent recession.

Even statist-minded officials in England have become aware of these basic principles of practical economics. They have recently offered substantial tax concessions to encourage investment. Also in the United States Congress, an increasing awareness is developing that a complete tax overhaul to encourage investment is long overdue. A comprehensive operation is already under way towards this objective. The recent strategy of labor places this in jeopardy.

Germany has experienced the greatest industrial recovery in recent years of all industrialized countries by recognizing fully the role of profits. Replacement rather than acquisition costs are used to determine allowable depreciation set-asides. In addition, fast tax write-offs are permitted for new capital formation.

The United States officials engaged in military procurement have also become aware of the important economic function of profits in cost reduction. It is actually penny-wise and pound-foolish to restrict profits at the price of greatly inflated costs. The savings realized in a profit squeeze is a fraction of the unnecessary costs that result from such a squeeze. This situation has prompted many executives in industry to comment that if the production of civilian products were as inefficient as the production of military products, especially those on cost-reimbursement contracts, the civilian operations would go bankrupt.

The restriction of profits on private account as on government account would result in the "selling of costs" rather than the selling of productive goods and services. Such a situation would result in a declining level of real output relative to the increasing population. The standard of living per person would deteriorate. The hopes and aspirations of Americans for a better life would be shattered.

One of the first civilian industries to suffer would be housing. Savings are already so scarce that many homeowners are having to pay as high as 7% interest on their mortgages. To reduce savings further by reducing profits would make borrowing for the purchase of homes almost prohibitive. The government would be called upon to coerce the people to save through taxation used to finance subsidized housing, which in the final analysis is no subsidy at all, since the amounts by which the interest payments are reduced would equal the amounts by which taxes are increased.

Gold Not Fiat Money

Other industries would experience price increases as the supply of goods relative to demand decreased. The greatest weapon against inflation, namely, increased production, would be lacking. Even with price controls (including wage controls) the effective prices would exceed ceiling prices as consumers bid up prices and diverted supplies into the illegal free markets. And as labor petitioned government to permit wage increases (and price increases), these increases would be financed out of fiat money, with constantly declining purchasing power. The road would lead to a breakdown of the economic and political system. A return to the gold standard would be a most welcome step. However, and most unfortunately, the "man on horseback" will have become a reality.

These frightening and ugly realities have occurred in history and will occur again. They start from rather innocent-appearing beginnings. Often, the persons contributing to the catastrophic deluge are well-meaning, not realizing that they are taking cues from the more sinister or the more cynical. For example, how many workers realize that Karl Marx stated that since all value was created by labor, then profits can only arise by paying labor less than it produces? Yet, the implicit rationale for profit encroachment is precisely this type of fallacious philosophy which has brought irreparable harm to the world already. Similarly, how many workers realize that the more recent English economist, Keynes, assumes that too much savings were not invested at all but only hoarded in the form of cash rather than invested in capital purchases for the creation of jobs? Naturally, persons with a perverted envy and anti-capitalist mentality will use fallacies such as the above. However, a person who observes the amazing state of our capital development and standard of living will see quite clearly the fallacies of Marx and Keynes regarding profits and savings.

Fallacy of Short-Run Data

Finally, it is dangerous indeed for the public to accept statistics showing short-run increases in profits as indicative of excessive profits. An example of such an increase is in the steel industry. Part of the recent increase in these profits is merely coincidental with the increase in sales due to temporary inventory accumulations; part of the profit increase is seasonal perhaps; part of it is cyclical representing a recovery from recession; and, the balance, if any, should be secular, reflecting changing technology in the form of increased capital usage per unit of labor, due to more and better machines.

In addition, many persons who use particular profit ratios for concluding that profits are too high fail to recognize the utter lack of comparability that exists between industries and companies. While profits may suggest the success of a specific company during one period as compared with another period, such inferences are not valid when making comparisons among firms and industries. Numerous factors have to be considered, such as the capital structure, capital turnover, type of product, nature of market, and competition, etc. Profits are difficult to interpret and dangerous to grab at.

Workers pay 5-6% commissions on sales of homes and much more for other services. It seems unreasonable to oppose a similar return in the form of profits for the tools that make their jobs possible in the first place. The fact that workers no longer have control of their union is no excuse, certainly not when strikes ensue and business has to fight for its very existence as well as independence.

In the case of the steel industry, the appearance of high profits for the first few months of 1959 on the part of a few companies is no guarantee that these companies can pay current wage demands out of the profits realized next year and the year after, etc. Also, the below average steel producer, mostly the non-integrated firms, cannot pay a wage increase out of even currently earned profits. The below average firm cannot pay a wage increase without a price increase except to the extent that cost-absorption is carried out by labor itself through the elimination of featherbedding restrictions. Finally, the above average firm will continue to replace labor with further mechanization at a cost of between $50,000 and $75,000 per employee, which over the life of any specific mechanization is quite clearly far below the existing labor cost over the same period.

Two With Richard Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Gerard P. Dunkly and Donald K. Thompson have become associated with Richard A. Harrison Inc., 2200 Sixteenth Street. Mr. Dunkly was formerly with A. J. Taranto & Company.

With Leo MacLaughlin

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Chester L. Domer is now affiliated with Leo G. MacLaughlin Securities Company, 65 South Euclid Ave. He was formerly with Reynolds & Co. and Walston & Co., Inc.

Successful Bidders on Puerto Rico Bonds

A banking group headed by the Chase Manhattan Bank, Morgan Guaranty Trust Co., and Ira Haupt & Co., Co-Managers, was successful bidder Tuesday, July 28, on an issue of $15,200,000 Commonwealth of Puerto Rico bonds, due 1960 to 1979.

Left to right are: William G. Carrington, Jr., partner of Ira Haupt & Co., Jose R. Noguerra, Secretary of the Treasury of Puerto Rico and John de Milhau, Vice-President of the Chase Manhattan Bank. The group included Banco Credito y Ahorro Ponceno and Banco de Ponce.

Equity Heavy in Banks' Personal Trusts

Common stock in $50 billion bank-held personal trusts comes to over 61%, or about $30.7 billion. This is revealed in the first survey ever conducted on a nationwide basis. It was made under the supervision of the American Bankers Association's Trust Division's Committee on Statistics, chaired by Robert A. Jones, Vice-President of the Morgan Guaranty Trust Company of New York, and in collaboration with Alfred Politz Research of New York.

Assets totaling nearly $50 billion were held in personal trust accounts in banks and trust companies of the United States in 1958, according to results of a survey made public this week by the Trust Division of the ABA.

This was the first such survey ever conducted and the first time that figures on bank-administered personal trust holdings on a nationwide basis had ever been compiled, Joseph H. Wolfe, ABA Deputy Manager and Secretary of the Trust Division, said. Similar surveys will be made annually in the future, he added.

The survey covered personal trusts only — reflecting current values of living trusts, testamentary trusts, guardian accounts, and funds of incompetents. It excluded estates, personal agencies, custody and safekeeping accounts, pension and profit-sharing trusts, investment advisory and management accounts, corporate trusts and agencies, unfunded insurance trusts, and the insurance portion of funded insurance trusts.

By far the greatest percentage of personal trust holdings was invested in common stocks, the survey revealed. Of the $49,680,300,000 in these accounts, $30,664,500,000, or 61.7%, was invested in common stocks.

A total of $7,791,200,000, or 15.7%, was invested in state and municipal securities; $2,513,100,000, or 5.1%, in United States Government securities; $2,335,300,000, or 4.7%, in corporate bonds and debentures; and the balance, 12.8%, in participations in common trust funds, preferred stock, mortgages, and other assets. (Breakdown shown in Table I.)

Comparing the $49,680,300,000 of holdings in bank-administered personal trust accounts with various other classifications of individuals' investments, Mr. Wolfe commented that funds invested in stocks listed on the New York Stock Exchange amounted to $276,700,000,000 at the end of 1958; funds in life insurance companies, $86,400,000,000; funds in commercial bank savings accounts, $59,600,000,000; funds in shares of savings and loan associations, $47,900,000,000; funds on deposit in mutual savings banks, $34,000,000,000; and funds in shares of mutual investment concerns, $13,200,000,000.

The 121 trust institutions which participated in the survey designated also whether they had sole investment responsibility for the trust accounts reported, or whether they had none or shared it with others. Of the $21,324,700,000 for which they had sole responsibility, $12,030,000,000, or 56.4%, was invested in common stocks; $3,140,200,000, or 14.7%, in state and municipal securities; $1,594,400,000, or 7.5%, in participations in common trust funds; $1,307,700,000, or 6.1%, in U. S. Government securities; and the remainder, or 15.3%, in corporate bonds and debentures, preferred stock, mortgages, cash, and all other assets. Table II shows the distribution of these investments.

In the accounts for which the trust institution had no investment responsibility or shared it with others, the picture was somewhat different. Common stocks accounted for $18,634,500,000, or 65.7%; state and municipal securities, $4,651,000,000, or 16.4%; corporate bonds and debentures, $1,229,000,000, or 4.3%; U. S. Government securities, $1,205,400,000, or 4.3%; and the balance in preferred stock, mortgages, participations in common trust funds, cash, and other assets. The complete picture for this is set out in Table II.

Committee Chaired by Robert A. Jones

The A.B.A. survey, conducted under the supervision of the Trust Division's Committee on Statistics, whose chairman is Robert A. Jones, Vice-President of the Morgan Guaranty Trust Company, New York, was made in collaboration with Alfred Politz Research, Inc., of New York.

Using a sampling method developed by the Politz company, the Trust Division obtained reports from 121 representative trust institutions on 4,229 personal trust accounts. By the scientific sampling procedures used, the Politz company said: "It is possible to determine the amount of difference to be expected between estimates derived from the sample and estimates that would have been obtained from a complete count or a census of all accounts. The chances are 19 in 20 that the estimate of $49.7 billion is within $2 billion of the value which would have been obtained if all such personal trust accounts had been enumerated by the same procedures."

By use of a complex coding technique, anonymity of the accounts reported was strictly preserved.

The data collected by the Trust Division were turned over to the Federal Reserve Bank of New York, which compiled the figures, applied the estimating procedures established by the Politz organization, and projected the figures assembled.

"The results of the survey constitute the most comprehensive information that has been made available regarding the composition of bank-administered personal trust funds," Mr. Wolfe said. "Thus the current findings are far more dependable than estimates that have been made from time to time in the past on the basis of fragmentary data. Moreover, the sampling precision of the survey results is known and is of such magnitude that the user of the data can be confident of their reliability."

Committee Members

Other members of the Trust Division's Committee on Statistics, besides Chairman Jones, are: John M. Cookenbach, Vice-President, The First Pennsylvania Banking and Trust Company, Philadelphia; Joseph T. Keckeisen, Vice-President and Secretary, The First National Bank of Chicago; Harold G. King, Vice-President and Trust Officer, Wells Fargo Bank, San Francisco; Robert M. Lovell, Senior Vice-President, The Hanover Bank, New York; and Sheridan J. Thorup, Senior Vice-President, Second Bank-State Street Trust Company, Boston.

TABLE I

Assets in Personal Trust Accounts—By Type of Asset

(In Millions of Dollars)

Type of Asset—	Total $	Total %
Common Stock	$30,664.5	61.7%
State and Municipal Securities	7,791.2	15.7
U. S. Government Securities	2,513.1	5.1
Corporate Bonds and Debentures	2,335.3	4.7
Participation in Common Trust Funds	2,122.8	4.3
All Other Assets	1,906.9	3.8
Preferred Stock	1,290.9	2.6
Mortgages	671.0	1.3
Cash	384.6	0.8
Total	$49,680.3	100.0%

TABLE II

Assets in Personal Trust Accounts By Type of Investment Responsibility

(In Millions of Dollars)

Type of Asset—	Sole Responsibility $	Sole Responsibility %	Shared or None $	Shared or None %
Common Stock	12,030.0	56.4	18,634.5	65.7
State and Municipal Securities	3,140.2	14.7	4,651.0	16.4
Participation in Common Trust Funds	1,594.4	7.5	528.3	1.9
U. S. Government Securities	1,307.7	6.1	1,205.4	4.3
Corporate Bonds and Debentures	1,106.2	5.2	1,229.0	4.3
All Other Assets	990.7	4.7	916.1	3.2
Preferred Stock	594.6	2.8	696.3	2.5
Mortgages	407.1	1.9	264.0	0.9
Cash	153.8	0.7	230.9	0.8
Total	21,324.7	100.0	28,355.5	100.0

TABLE III

Assets in Personal Trust Accounts By Type of Investment Responsibility—By Type of Asset

(In Millions of Dollars)

Type of Asset—	Total $	Total %	Sole $	Sole %	Shared or None $	Shared or None %
Common Stock	30,664.5	100.0	12,020.0	39.2	18,634.5	60.8
State and Municipal Securities	7,791.2	100.0	3,140.2	40.3	4,651.0	59.7
U. S. Government Securities	2,513.1	100.0	1,307.7	52.0	1,205.4	48.0
Corporate Bonds and Debentures	2,335.3	100.0	1,106.2	47.4	1,229.0	52.6
Participation in Common Trust Funds	2,122.8	100.0	1,594.4	75.1	528.3	24.9
All Other Assets	1,906.9	100.0	990.7	52.0	916.1	48.0
Preferred Stock	1,290.9	100.0	594.6	46.1	696.3	53.9
Mortgages	671.0	100.0	407.1	60.7	264.0	39.3
Cash	384.6	100.0	153.8	40.0	230.9	60.0
Total	49,680.3	100.0	21,324.7	42.9	28,355.5	57.1

NOTE—Figures may not necessarily add to totals because of rounding.

TABLE IV

Investments of Individuals in Bank-Administered Personal Trusts, Savings Accounts, Mutual Funds, Life Insurance Reserves, and Common Stock Listed on the New York Stock Exchange—1958

Type of Investment—	Dollar Amount (Billions)	Per Cent
1 Personal Trust Accounts	$49.7	8.8
2 New York Stock Exchange Common Stock	276.7	48.7
3 Reserves of Life Insurance Companies	86.4	15.2
4 Commercial Banks	59.6	10.5
5 Savings & Loan Associations	47.9	8.5
6 Mutual Savings Banks	34.0	6.0
7 Mutual Funds Held by Open-End Companies	13.2	2.3
Total	$567.5	100.0

1 A.B.A. Trust Division Survey of Personal Trust Accounts, 1958.

2 New York Stock Exchange, December 30, 1958.

3 Accumulations in U. S. legal reserve life insurance companies include reserves plus dividends left to accumulate, minus premium notes and policy loans. SOURCE: Institute of Life Insurance.(P)

4 Time deposits of individuals, partnerships and corporations. SOURCE: Federal Deposit Insurance Corporation.(P)

5 Investments in savings and loan associations, including savings accounts, deposits and investment certificates. DOES NOT include shares pledged against mortgage loans or investments by U. S. Government. SOURCE: Federal Home Loan Bank Board.(P)

6 Time deposits. SOURCE: Federal Deposit Insurance Corporation.(P)

7 National Association of Investment Companies.

(P) Preliminary estimates.

John Dawson Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Michael N. Mueller has been added to the staff of John A. Dawson & Co., 1 North La Salle Street, members of the Midwest Stock Exchange. He was formerly with Dempsey-Tegeler & Co.

With First of Michigan

(Special to The Financial Chronicle)

CHICAGO, Ill.—Glenn W. Evans is now affiliated with the First of Michigan Corporation, 135 South La Salle Street.

Goldman, Sachs Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Robert N. Ettelbrick has been added to the staff of Goldman, Sachs & Co., 135 South La Salle Street.

American-Saint Gobain Arranges $53,500,000 Financing Program

American-Saint Gobain Corp. starts today (July 30) a financing program to raise funds to build a new $50,000,000 plate glass manufacturing plant at Greenland, Hawkins County near Kingsport, Tenn. The company has entered into an agreement negotiated by F. Eberstadt & Co. for the sale to The Prudential Insurance Co. of America of up to $33,000,000 of 6% first mortgage bonds due 1982 with warrants for the purchase of 200,000 shares of authorized and unissued common stock at a price of $23.50 per share after Nov. 1, 1963 and prior to Nov. 1, 1971. The warrants are subject to certain restrictions with respect to their exercise or sale.

The company is offering to its common stockholders of record at th opening of business July 29, 1959 rights to subscribe for an issue of $11,172,600 of 5½% subordinated debentures due 1983 (convertible until Nov. 1, 1971) and for 268,141 shares of authorized, unissued common stock. Subscription rights for the debentures are non-transferable and permit holders to subscribe at face value for $100 principal amount of debentures for each eight shares of common stock held. The subscription rights for the common stock are transferable and permit purchase at $17.30 per share of one share for each 3⅓ shares held. Both rights expire at 3:30 p.m. (EDT) on Aug. 12, 1959.

Compagnie de Saint-Gobain is purchasing 275,000 shares of common stock at $17.30 per share under an option contract. It will also exercise all of its subscription rights by subscribing to $6,400,000 of the debentures and 153,600 shares of the common stock. This will make the parent company's holdings equal to approximately 57% of the debentures to be outstanding and its 665,000 shares will be equal to approximately 57% of the total number of shares of common stock to be outstanding.

The new debentures are convertible into common stock at $22.50 per share until Nov. 1, 1964, thereafter and until Nov. 1, 1968 at $25 per share and thereafter and until Nov. 1, 1971 at $30 per share.

The company's parent is Compagnie de Saint-Gobain of Paris, France, the oldest and one of the largest glass manufacturers in the world. It and its affiliates also produce a substantial volume of chemicals, including petro-chemicals, fertilizers, petroleum products and plastics.

American-Saint Gobain Corp. was formed by Compagnie de Saint-Gobain in 1956 and in 1958 acquired through merger the American Window Glass Corp. and Blue Ridge Glass Corp. Executive offices are in New York and operating offices in Pittsburgh. Present plants are at Arnold, Jeannette and Ellwood City, Pa., Kingsport, Tenn. and Okmulgee, Okla.

F. Eberstadt & Co. heads a group of investment banking firms listed below which is underwriting the company's offering of the debentures and common stock. Other underwriters are: Morgan Stanley & Co.; Eastman Dillon, Union Securities & Co.; Harriman Ripley & Co., Inc.; Kuhn, Loeb & Co.; Lazard Freres & Co.; Lehman Brothers; White, Weld & Co.; H. M. Byllesby & Co. (Inc.); Hornblower & Weeks; Carl M. Loeb, Rhoades & Co.; Shields & Co.; Swiss American Corp.; Adams & Peck; Arnhold & S. Bleichroeder, Inc.; and Istel, Lepercq & Co., Inc.

Continued from page 4

The State of Trade and Industry

asserted, "they all lead to the basic issue of costs. And costs are the determining factor in prices."

"Iron Age" continued: "That's why this strike will be such a hard one to settle. And whether it can be settled without a steel price boost remains to be seen."

The magazine said the question of whether steel costs will rise as part of the price of the inevitable strike settlement revolves around these considerations:

(1) If the companies are to avoid employment cost increases, they would have to stop the union cold, something they have not been able to accomplish despite five previous strikes since the war.

(2) Either that, or the companies would have to abandon the principle that to protect their profit position higher wages must be offset by higher prices unless compensating economies are made possible.

"Iron Age" said the settlement, when it comes, probably will have to call for a wage boost of less than 10 cents an hour—perhaps closer to 5 cents—if it is to be conveniently called "Non-inflationary." In this connection, the steel mills have not been able as yet to translate into cents per hour what it would be worth to have more freedom to effect money-saving changes in plant operations. The mills have offered to consider modest fringe and wage concessions in return for more latitude in raising plant efficiency.

Depending on length of the strike, the mills will face serious delivery problems when the walkout ends. There will be strong competition among the mills to maintain pre-strike customer relationships. Who gets delivery when will pose ticklish questions for mill distribution experts.

Steel Strike's Costs to Employees and Companies

By Monday July 27, the steel strike will have cost steelworkers $135,200,000 in lost wages and the steel companies $378,000,000 in lost sales "Steel" magazine reported.

Those are not the only losses, the metalworking weekly pointed out. It cost the companies $20 million to shut down for the strike. It will cost them another $20 million to start up. Another cost to the companies is $72 million in overhead, depreciation, and salaries of their nonproduction workers through July 27.

In addition, there are almost incalculable losses to railroads, truck lines, utilities companies, and other suppliers of services and goods to the steel industry, "Steel" pointed out.

Several steel plant construction projects are halted by picket lines at mill gates. About $200 million worth of work is halted in the Chicago-Calumet-Gary area alone.

Losses in steel ingot production since the strike began total around 3,680,300 net tons.

Steelmaking operations in mills not affected by the strike yielded 382,000 net tons of ingots in the week ended July 26. That is equivalent to 13.5% of the nation's capacity.

Steel production may shrink further unless there is an early settlement of the strike or further extensions of present contracts, "Steel" said.

Demand for steel is strong despite the strike and comfortable iventories of most consumers. Some users who had canceled orders when there were rumors the strike would be averted are now seeking reinstatement of their contracts. Tonnages involved are small, but the switch in consumer policy is significant, "Steel" commented.

Third quarter order books of most producers are closed, although some could handle additional tonnage for the period if the strike were ended quickly. For deliveries of steel beyond September, mills are accepting orders subject to delays occasioned by the strike.

Looking beyond the strike, steel companies are planning to buy more new equipment in the second half of this year than they did in the first half. Companies representing 60% of the nation's steel capacity told "Steel" they would order 43% more equipment in the last half. Most of these companies said that even a long strike would not cause them to materially alter their plans—except to revise delivery schedules.

Another survey by "Steel" reveals that managers of metalworking plants believe price competition is their No. 1 problem. Pressure for wage increases is listed as No. 2.

Scrap prices leveled off last week because of limited buying by the mills that were operating. This held "Steel's" scrap price composite to the preceding week's level of $38.67 a gross ton.

Steel Output Based on 22.5% of Capacity

The American Iron and Steel Institute announced that the operating rate of the steel companies will average *22.5% of steel capacity for the week beginning July 27, equivalent to 362,000 tons of ingot and steel castings (based on average weekly production of 1947-49) as compared with an actual rate of *22.7% of capacity and 365,000 tons a week ago. [*Ed. Note: A strike in the steel industry began Wednesday, July 15.*]

Actual output for the week beginning July 20, 1959 was equal to 12.9% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for this week's forecast is 12.8%.

A month ago the operating rate (base don 1947-49 weekly production) was *137.9% and production 2,215,000 tons. A year ago the actual weekly production was placed at 1,561,000 tons, or 97.2%.

*Index of production is based on average weekly production for 1947-49.

Steel Industry Wages in May at Record High

Employment of hourly and salaried employees in the iron and steel industry in May 1959 was 634,668, exceeding the total for any month since April 1957, and up 134,299 or 26.8% as compared to May 1958. The gain from April 1959 was 14,067, according to the monthly report of American Iron and Steel Institute.

Meanwhile, all-time monthly records were set in the average hourly payroll cost of wage earners and the total payroll in dollars.

The record average hourly payroll cost for wage earners during May 1959 was $3.346, against $3.340 in April 1959 and $3.095 in May 1958. Not included in these figures are costs of pensions, supplemental unemployment benefits, social security and insurance which amounted to an average of 33.2 cents per hour in 1958 in addition to the direct payroll costs.

The total payroll for hourly and salaried workers combined was $396,914,755 in May 1959, against $385,488,363 in April 1959, and $257,965,765 in May 1958.

Wage earners worked an average of 39.9 hours a week in May 1959, against 40.7 hours a week in the preceding month and 34.2 hours a week in May 1958.

The above data cover only employees engaged in the production and marketing of steel, and exclude mining and non-steelmaking employees in companies having such other operations.

NOTE: On the basis of the reports from those companies, it is estimated that the May 1959 payroll for the entire iron and steel industry (hourly and salaried employees included) was $412,165,000, while the employment during that month was 663,900.

Metalworking Industry Will Spend $2.79 Billion for Equipment in Second Half of 1959

Metalworking will spend $2.79 billion for capital equipment in the second half of 1959, "Steel" magazine, the metalworking weekly, predicted on July 10.

That is more than in any previous six month period, except the latter half of 1957. It's only $30 million short of a record.

The prediction is based on a first of its kind survey by the magazine. It went to companies representing nearly one-third of metalworking's total outlay for capital equipment. The survey was limited to equipment (it excludes spending for plant) to get a more accurate indicator of the short-term businese outlook.

"Steel" reported $2.06 billion was spent in 1959's first half and revealed these plans for spending (by industries) in the next six months:

Industry—	2nd half vs. 1st half
Aircraft	Up 71%
Automotive	Up 91%
Electrical machinery & equipment	Up 79%
Farm equipment	Up 77%
Iron & steel foundries	Up 71%
General industrial machinery	Up 31%
Special industry machinery	Down 32%
Steel	Up 26%
Metalworking machinery	Up 4%
Nonferrous	Up 26%
Railroad equipment	Up 30%

The equipment they will buy—	2nd half vs. 1st half
Machine tools	Up 24%
Presses	Up 11%
Steelmaking equipment	Up 43%
Foundry equipment	Up 39%
Material handling equipment	Up 28%
Testing & inspection equipment	Up 69%
Cleaning & finishing equipment	Up 41%
Heat treating equipment	Up 46%
Joining & assembly equipment	Up 32%

Forecasts 7,500,000 Yearly Car Sales

Alan G. Rude, President of the Universal C.I.T. Credit Corporation, whose concern is considered the nation's largest independent auto finance company, speaking before the annual convention of the Michigan Autombile Dealers Association is reported to have stated that:

"We can be confident that we have the best years of our business lives just ahead," Mr. Rude asserted. "With such a potential, there are great businesses to be built and enormous profits to be made."

Mr. Rude explained that in spite of the fact periodic business downturns will occur but by the end of the 1960s there will be 90 million auto cars on the road and that one family in every five will own two more cars. Average yearly sales should then total 7,500,000 new and 15,000,000 used cars

Car Output Off as Model-Year Shutdowns Accelerate

Model-year shutdowns and a general leveling off in production in the week ended July 25 lowered U. S. car output to a programmed 125,962 units—a 1.2% slip from the previous week's total of 127,502 cars, Ward's Automotive Reports said.

Joining the ranks of automakers who have closed out their model runs was Studebaker-Packard, whose South Bend, Ind., plant wound up 1959 activity on Wednesday, July 22. Chrysler, Dodge, DeSoto and Imperial have already completed work on 1959 models. Plymouth is expected to finish up by the end of the current week.

The industry's slack period this year will be from the end of August to the middle of September, when 1906 model production will get underway.

According to Ward's, five-day scheduling was in effect in the week ended July 25 at most U. S. car and truck plants. The exceptions were Chevrolet passenger car lines at Flint, Janesville, Wis., and Kansas City, six days; American Motors at Kenosha, Wis., six days.

A Mercury plant at Metuchen, N. J. was idle all during the week for summer vacation, Studebaker-Packard's South Bend, Ind., plant worked only three days, Chevrolet truck at St. Louis closed Thursday, July 23 and Friday, July 24 for inventory adjustments and a Buick-Olds-Pontiac assembly site at Wilmington, Del., was down on the latter day.

U. S. truck production for week ended July 25 also showed a decline from the previous week's activity. An estimated 26,508 units were programmed compared to 27,111 the week before.

Combined car-truck production for the week under review was scheduled for 152,470 units—off 1.4% from the total of the previous week (154,613).

At the end of the week, domestic car production will reach

an estimated 3,721,339 units, a 48% boost over the same 1958 period (2,512,829).

Truck production this year (749,492 units) is up 50% from last year's turnout of 499,606.

Electric Output 10.2% Above 1958 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 25, was estimated at 13,577,000,000 kwh., according to the Edison Electric Institute.

For the week ended July 25 output increased by 162 million kwh. above that of the previous week's total of 13,415,000,000 kwh. and showed a gain of 1,258,000,000 kwh. or 10.2% above that of the comparable 1958 week.

Car Loadings 0.5% Above Corresponding 1958 Week

Loading of revenue freight for the week ended July 18 totaled 585,070 cars, the Association of American Railroads announced. This was an increase of 2,826 cars or five-tenths of 1% above the corresponding week in 1958, but a decrease of 158,289 cars or 21.3% below the corresponding week in 1957.

Loadings in the week of July 18 were 30,644 cars, or 5.5% above the preceding week reflecting the resumption of work by the coal miners after their annual vacation. However, the increase in coal loadings was substantially offset by the loss of traffic as a result of the strike in the steel industry, which became effective July 15.

Intercity Truck Tonnage 12.9% Ahead of Like Week in 1958

Intercity truck tonnage in the week ended July 18, was 12.9% ahead of the corresponding week of 1958, the American Trucking Associations, Inc., announced. Truck tonnage was one-half of 1% ahead of that of the previous week of this year.

These findings are based on the weekly survey of 34 metropolitan areas conducted by the ATA Research Department. The report reflects tonnage handled at over 400 truck terminals of common carriers of general freight throughout the country.

Lumber Shipments Were 0.2% Below Production for July 18 Week

Lumber shipments of 475 mills reporting to the National Lumber Trade Barometer were 0.2% below production for the week ended July 18. In the same week new orders of these mills were 9.9% above production. Unfilled orders of reporting mills amounted to 41% of stocks. For reporting softwood mills, unfilled orders were equivalent to 19 days' production at the current rate, and gross stocks were equivalent to 40 days' production.

For the year-to-date, shipments of reporting identical mills were 1.0% above production; new orders were 1.9% above production.

Compared with the previous week ended July 11, production of reporting mills was 13.9% below; shipments were 21.1% above; new orders were 17.6% above. Compared with the corresponding week in 1958, production of reporting mills was 0.5% above; shipments were 0.5% above; and new orders were 0.1% above.

Business Failures Edge Up Fractionally

Commercial and industrial failures rose fractionally to 245 in the week ended July 23 from 242 in the prior week, reported Dun & Bradstreet, Inc. The level, however, was noticeably below the 264 of the similar week last year, but up substantially from the 228 of 1957. There was a decline of 16% from the 291 that occurred in the comparable week of prewar 1939.

Failures with liabilities of $5,000 or more fell to 217 from the previous week's 222 and were below the 223 of a year ago. Small casualties, those involving liabilities under $5,000 moved up to 28 from 20 a week earlier, but were well below the 41 of the similar week last year. Twenty of the failing concerns had liabilities in excess of $100,000, the same as in the prior year.

The week's slight increase was concentrated in manufacturing, up to 51 from 42, in retailing, up to 112 from 110, and in construction up to 32 from 29. Among wholesalers, failures dipped to 28 from 37 and in commercial service they were down to 22 from 24. Noticeable declines from a year ago in retailing and construction offset increases in manufacturing, wholesaling, and commercial service.

Geographically, increases from the preceding week were reported in New England, up to 10 from eight, in the West North central, up to nine from three. In the West South Central, up to 18 from 12, in the Mountain, up to four from one, and in the Pacific States, up to 76 from 57. Failures dipped in three regions, including the Middle Atlantic, down to 67 from 79, in the East North Central, down to 43 from 49, and in the South Atlantic, down to 10 from 25. Casualties in the East South Central numbered eight, the same as the prior week. While the level rose over a year ago in the East North Central, East South Central, West South Central, and Pacific regions, it was lower in the New England, Middle Atlantic, West North Central, and South Atlantic States. There was no year-to-year change in the Mountain States.

Canadian failures remained at 23, for the third week in a row and below the 26 in the comparable week a year ago.

Failures Rise in June but Liabilities Are Off

Business failures, contrary to a usual seasonal dip in June, rose 10% to 1,244. Although the increase prevailed in all operations except construction and in all liability size groups below $100,000, casualties did not reach the toll of 1,260 a year ago. Furthermore, their dollar liabilities continued down to $49 million, an 8-month low and 20% short of last year's volume.

Concerns were failing at an apparent annual rate of 53 per 10,000 listed enterprises. While this rate moved higher than in earlier months this year, it was less severe than the 57 per 10,000 in June a year ago.

The sharpest rise from May occurred in wholesaling, where tolls climbed noticeably in the building materials and food trades. In manufacturing, steel industry casualties took a marked upturn, and in retailing more restaurants succumbed than in any month since March 1958. General builders accounted for construction's contrasting decline.

Except for a 14% decline from year ago levels in manufacturing failures, tolls held close or exceeded those in June 1958. Manufacturers in several industries had fewer casualties—food, textiles, apparel, printing, and publishing. Among retailers, improvement in furniture, housefurnishings, and drug stores was offset by increases in the food, general merchandise, and apparel lines. Personal and business service concerns and building subcontractors pushed mortality in their divisions above 1958.

The East North Central and Middle Atlantic States reported marked upturns from May, with casualties running heavier in large cities, particularly Chicago, Cleveland, and Pittsburgh. The only declines from the preceding month occurred in the South Central and Pacific States; the latter area's total fell off despite an increase in California to a 9-month high. From June a year ago, South Atlantic casualties were down 28%, reflecting a sharp drop in Florida. However, five regions suffered more failures than in the previous June. The most noticeable increases centered in Illinois, California, and Colorado.

Highest June Record for New Business Incorporations

Although the number of new business incorporations in June dipped slightly from May, the level was the highest for any June on record, reports Dun & Bradstreet, Inc. This was the 12th month in a row that a monthly record was set. The number came to 16,157 in June, down 3.0% from the prior month's 16,660, but up 34.7% over the 11,991 of a year ago, and 28.2% over the prior June record of 12,605 set in 1955.

The number of new concerns listed for the first six months of 1959 was 103,000, a peak for any first six months period. There was an increase of 46.1% over the 70,479 of the comparable period a year ago.

The consensus of opinion is that much of the sharp increase in incorporations begun last Fall was due to the approval on Sept. 2, 1958 of the Technical Amendments Act which provided for tax advantages for small corporations and encouraged many small proprietorships and partnerships to incorporate. Of course, it would be difficult to estimate what proportion of the rise resulted from this legislation and how much was due to recovery from the recent recession.

Comex Publishes New Booklet on Hide Futures Market

Commodity Exchange, Inc., announced publication of a new booklet, "The Hide Futures Market," as part of its continuing public relations and educational program.

The new publication, developed under the direction of the public relations committee and the hide group, delineates clearly the current hide contract and gives a full explanation of how hide futures are traded on Comex. Specific examples showing how the tanner, producer and dealer can make use of the Exchange's hedging facilities are included.

Member firms may obtain bulk copies for use with their house imprint. Write: Secretary, Henry J. Fink, Commodity Exchange, Inc., 81 Broad St., New York 4.

Wholesale Commodity Price Index Dips Again

For the third consecutive week the general commodity price level showed a decline, reflecting lower prices on lard, coffee, hogs, steers and cotton. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., dipped to 275.51 (1930-32=) on July 27 from the prior week's 276.14 and remained well below the 277.87 of the corresponding date a year ago.

Although trading in wheat for both domestic and export use was limited this week, offerings were light and prices moved up slightly. Although volume in the rye market was dull, prices advanced fractionally. Better weather conditions in growing areas resulted in a moderate dip in corn purchases, but prices remained close to the preceding week.

Supplies of oats expanded moderately during the week and buying picked up; oats prices were substantially higher. There was an appreciable rise in soybean trading which helped boost prices moderately over the prior week.

Flour volume was sluggish this week and prices were somewhat lower. Except for a few small sales to European and South American importers, export trading in flour was limited. With many buyers anticipating lower prices when the new crop reaches the market, rice trading lagged and prices remained unchanged.

There was a slight dip in sugar volume during the week, but prices moved fractionally higher. Although coffee prices picked up at the end of the week, they finished moderately below a week earlier, trading was steady. Cocoa prices moved somewhat higher, reflecting a gain in trading.

Hog receipts in Chicago edged up somewhat in the latest week, but trading was limited and prices were moderately lower. There was a slight dip in the salable supply of cattle and transactions dipped resulting in a price decline on steers. Although lamb prices rose fractionally, purchases sagged and receipts were light. Following the dip in hog prices, prices on lard were appreciably lower.

Cotton prices on the New York Cotton Exchange held within a narrow range, but finished slightly below those of the preceding week. Exports of cotton in the week ended last Tuesday were estimated at 49,000 bales, compared with 39,000 in the prior week and 94,000 in the comparable period a year ago. Shipments through July 21 were estimated at 2,705,000 bales, compared with 5,523,000 in the corresponding period last season.

Wholesale Food Price Index Down Again to New Low For the Year

For the fourth consecutive week the Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., declined from the prior week. On July 21 the index stood at $5.98, the lowest level so far this year and the lowest since Nov. 6, 1956 when it stood at $5.95. The current index was 0.3% below the prior week's $6.00 and down 9.7% from the $6.62 of the corresponding date a year ago.

Higher in wholesale price this week were corn, barley, lard, butter, milk, and cocoa. Lower were flour, wheat, rye, beef, hams, bellies, coffee, cottonseed oil, potatoes, and hogs.

The Dun & Bradstreet, Inc., Wholesale Food Price Index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its

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Pan American Offers Debs. to Stockholders On a Rights Basis

Pan American World Airways, Inc. is offering to its stockholders the right to subscribe for $46,971,000 of 4⅞% convertible subordinated debentures due 1979 on the basis of $100 principal amount of debentures for each 14 shares of capital stock held of record on July 29. The subscription price is 100%. The right to subscribe will expire on Aug. 12, 1959. The offering has been underwritten by a group of investment bankers headed by Lehman Brothers and Hornblower & Weeks.

Net proceeds from the sale of the debentures will initially be added to Pan American's corporate funds. It is anticipated the proceeds will be used either as an addition to working capital, or as a portion of the funds required in connection with the acquisition of jet powered aircraft and related flight and ground equipment, or both.

The debentures are convertible into capital stock of the company at any time at $30 a share.

Beginning in 1969 the issue will have the benefit of a mandatory sinking fund under which the company will be required to retire $2,800,000 principal amount of debentures annually. Pan American, at its option, may retire up to an additional $2,800,000 annually during the mandatory sinking fund period, and also may optionally retire up to $2,800,000 during the years 1964-1968, inclusive. For sinking fund purposes the debentures will be redeemable at the principal amount. For general redemption purposes they may be redeemed at any time at prices ranging from 104⅞% to 100%.

Upon issuance of the debentures outstanding capitalization will comprise long term debt of $220,171,000; sundry indebtedness of $964,000 and 6,575,948 shares of common stock.

Now Corporation

DETROIT, Mich.—C. N. Davidson & Co., Penobscot Building, is now conducting its investment business as a corporation. Officers are Richard L. Coskey, President; Samuel I. Shuman, treasurer; and Arnold M. Gold.

French & Co. Opens

AUSTIN, Tex.—French & Co., Inc. has been formed with offices at 704 Colorado to engage in a securities business. Officers are Thomas M. French, president; and Thomas M. French, Jr., secretary-treasurer.

Form ESA Distributors

WASHINGTON, D. C. — ESA Distributors, Inc. is conducting a securities business from offices at 1329 E Street, N. W. Officers are Joseph Amann, president; William L. Bencan, vice president; and Albert A. Orth, Jr., secretary-treasurer.

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The State of Trade and Industry

chief function is to show the general trend of food prices at the wholesale level.

Women's Fall Apparel Sales Feature Retail Trade

A noticeable rise in sales of women's Fall apparel helped boost over-all retail trade appreciably over a year ago in the week ended Wednesday, July 22, offsetting the effects of the steel strike in some areas on retail trade. Year-to-year gains also occurred in men's apparel, furniture, and floor coverings, but volume was down somewhat in air conditioners and fans. Scattered reports indicate that sales of new passenger cars slipped from the prior week, but remained well above a year ago.

The total dollar volume of retail trade in the week ended this Wednesday was 4 to 8% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1958 levels by the following percentages: Mountain and Pacific Coast +7 to +11; East North Central and West North Central +5 to +9; South Atlantic +4 to +8; Middle Atlantic +3 to +7; East South Central +2 to +6; West South Central +1 to +5; New England —3 to +1.

Women shoppers noticeably stepped up their buying of Fall suits and coats this week and extensive clearance sales promotions held volume in Summer sportswear and budget cotton dresses at a high level. The buying of men's apparel moderately exceeded that of last year, as here again shoppers were attracted by sales promotions. Interest centered on tropical suits and straw hats, while the call for furnishings was sluggish.

Marked increases in sales of furniture, floor coverings, and draperies accounted for a good part of the year-to-year rise in over-all volume in household goods this week. Best-sellers in furniture were lawn tables and chairs, occasional tables and upholstered chairs. Although purchases of air conditioners and fans lagged moderately behind a year ago due to rainy cool weather in some areas, year-to-year gains occurred in refrigerators, laundry equipment, and dishwashers. Retailers reported a slight rise over a year ago in sales of linens.

Total food sales matched those of the prior week. Increased buying of picnic food specialties offset declines in fresh meat, poultry, and baked goods.

Despite a short supply of canned corn, packers have reduced prices of carryover corn to bring them in line with anticipated new pack prices. New packs of peas, beans, and peas and carrots opened at slightly lower prices than a year ago.

There was a decline of 4% last week from the prior week in butter processing, and it was down 9% from the similar 1958 period. Meat production was up 7% from last year, while cheese output was down 8%.

Nationwide Department Store Sales Up 7% for July 18 Week

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended July 18, increased 7% above the like period last year. In the preceding week, for July 18, an increase of 9% was reported. For the four weeks ended July 18, a gain of 8% was registered and for Jan. 1 to July 18 an 8 %increase was noted.

According to the Federal Reserve System department store sales in New York City for the week ended July 18 showed an increase of 7% from that of the like period last year. In the preceding week, July 11, a 1% increase was reported. July 4 was down while June 27 showed a 1% increase. Four weeks ended July 18 a 2% gain over 1958 was recorded and Jan. 1 to July 18 showed a 4% increase.

"Creeping" Ruin!

"Throughout history, wherever people have used money to express the values of goods and services, some form of 'inflation' has been a recurring theme. Even though the actual inflations of past generations have, as a rule, either had to be stopped by drastic action or ultimately have destroyed themselves, often with intense human suffering and severe economic loss, there seems to be a tantalizing fascination in the illusion of greater wealth created by rising prices. That lure has led time and again to a search for a new and more promising form of inflationary solution to pressing economic problems. Today, in the United States, the alchemists are at work once more. The new version is called 'creeping inflation.'

* * *

"The issues confronted by the creeping inflationists do not appear to be any different in significance for the current generation from the kinds of issues visualized by the popular economics of 'secular stagnation' in the 1930s, or perhaps of 'bimetallism' and others even further back.

* * *

"Its futility in reaching any of the underlying causes for concern, such as administered prices and wages, and the clearly harmful further consequences that it would also produce, make creeping inflation unacceptable as a basis for public policy." —Federal Reserve Bank of New York, June Monthly Review.

Definitely unacceptable! Let's not accept it.

Gifts to Minors Act Now Nationwide

By signature of Governor William G. Stratton, the Uniform Gifts to Minors Act became law in Illinois, July 22. This action makes this type of Act completely national in scope, having been enacted in every State including Alaska and Hawaii, as well as the District of Columbia.

The new law provides a simple, effective means of making gifts of securities or cash to minors. It permits the making of a gift for the benefit of a minor by transferring such property into the name of " 'A' as custodian for (the minor) under the Illinois Uniform Gifts to Minors Act". Any adult, or trust company can be named as custodian.

The Act was initially prepared by the National Conference of Commissioners on Uniform State Laws and approved by the American Bar Association. The Illinois Commission on Uniform State Laws of which Albert E. Jenner, Jr. is chairman, was the leading sponsor of this legislation.

With Daniel F. Rice

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Howard W. Seibert has become associated with Daniel F. Rice and Company, 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges. He was formerly with Spencer Trask & Co. and Francis I. du Pont & Co.

Form Potomac Secs.

WASHINGTON, D. C.—Potomac Securities, Inc. has been formed with offices at 13 H Street, N. W. to engage in a securities business. Officers are Taylor Bynum, President; Robert S. Miller, Vice-President; and Mary Lloyd, Secretary-Treasurer.

A. G. Edwards Branch

PHOENIX, Ariz.—A. G. Edwards & Sons has opened a branch office at 425 North Central Avenue under the management of Carlyle Detjen.

New Haupt Office

SEPULVEDA, Calif. — Sheldon B. Haas will represent Ira Haupt & Co. from offices at 16421 Sunburst Street.

Joins Lamson Bros.

(Special to THE FINANCIAL CHRONICLE)

BLOOMINGTON, Ill.—Philip W. Tiemann is now connected with Lamson Bros. & Co., 120 North Center Street.

Now Robt. C. Conolly Co.

(Special to THE FINANCIAL CHRONICLE)

WAUKEGAN, Ill. — Robert C. Conolly and John H. Conolly have formed a partnership, Robert C. Conolly & Company, to continue the investment business of Robert C. Conolly, 223 Washington Street.

W. B. Wolf Admits

DETROIT, Mich. — Arthur G. Wolf has been admitted to partnership in W. B. Wolf & Company, Penobscot Building.

Forms Marshall Assoc.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Wilfred G. Marshall, Jr. is conducting a securities business from offices at 75 East Wacker Drive under the firm name of Marshall and Associates.

Warburton, Greiner Co.

Effective Aug. 1 the firm name of Warburton, Barnett & Greiner, 72 Wall Street, New York City, members of the New York Stock Exchange will be changed to Warburton, Greiner & Co.

12-Year Continuous Rise in Total Debt Assayed

Cleveland Trust Company's analysis of beneficial and harmful debt-trends includes a suggestion as to how to forestall inflation arising from deficit financing. It is simply to avoid an excessive rise in the Federal debt through continual heavy budget deficits. The Bank's tabulation shows per capita debt has declined from $2.33 in 1940 to $2.14 in 1958.

The July *Business Bulletin*, published monthly by the Cleveland Trust Company offers a timely reminder about debt.

The *Bulletin* states that, "total outstanding debt in this country moved up in 1958 for the 12th successive year. A survey recently published by the Department of Commerce furnishes detailed figures for both gross debt, and net debt after eliminating duplications. At the end of 1958 net debt was $770 billion, as compared with $736 billion a year earlier. The 1958 figure is more than four times as large as the $190 billion at the close of prewar 1940. However, the growth of national income since then has more than kept pace with that of debt. Thus in 1958 there was $2.14 of net debt per dollar of income, as against $2.33 in 1940.

"Three distinct periods are apparent. The first, from 1929 through 1940, shows a marked rise in the Federal debt, resulting from deficit financing by the Government during the depression of the 1930s. Private debt (corporate and individual) declined in most of those years. The second, from 1941 through 1946, covers World War II and the immediate postwar period. Here the Federal debt skyrocketed because of the huge volume of war financing. The third or postwar era brought a steep climb in private debt, both corporate and individual, as well as a substantial increase in the debt of State and local governments."

Data for the three periods are given in the table below:

Net Debt Outstanding
(In Billions of Dollars)

	Governmental		Private		
End of:	Federal	State & Local	Corporate	*Individual	Total
1929	$16.5	$13.2	$88.9	$72.3	$190.9
1940	44.8	16.5	75.6	53.0	189.9
1946	229.7	13.6	93.5	60.6	397.4
1958	232.7	50.9	246.9	239.7	770.2
Change:					
1929-1940	+$28.3	+$3.3	—$13.3	—$19.3	— $1.0
1940-1946	+184.9	— 2.9	+ 17.9	+ 7.6	+207.5
1946-1958	+ 3.0	+37.3	+153.4	+179.1	+372.8

*Includes noncorporate enterprises.

Need Not Cause Misgiving

"In a growing economy such as ours, a rising trend of debt is not in itself a cause for misgiving. The borrowing of money is a means of putting funds to work for many useful purposes such as new homes and new or enlarged industrial facilities. When the borrowed money is spent, it represents income to the recipients. Over a long period of years, the amount of outstanding debt has increased along with the volume of business. Future growth of the nation's income and wealth will mean further expansion of debt.

"This does not imply that all additions to debt are automatically beneficial. For an individual, debt brings trouble when he takes on too much, or when his income is reduced, or when he is hit by some sudden and unforeseen expense. Unless he has sufficient savings to carry him through, he is forced to reduce his everyday spending to meet his debt payments.

"Then too, what seems like a reasonable level of personal debt in good times can become very burdensome in bad times. One illustration is the serious decline in farm income during the 1921 depression, which led to a wave of foreclosures on mortgaged farm properties. Another is the drastic slump in total personal income during the 1930-1933 depression, amounting to 45% in four years.

"For the nation as a whole, a rapid expansion of debt beyond the growth of production can cause inflation. The classic examples, of which World War II is one, are the great inflations stemming from the steep ascent of Federal debt during wartime. In each of our major wars, tax receipts failed to meet expenditures and the Government, therefore, had to borrow vast sums. These were financed only in part by the savings of investors, and the remainder by what amounted in effect to printing money. Consequently the money supply outran the supply of goods, which generated a sharp price rise.

"Even in peacetime, when production reaches the limits of capacity and labor supply, further pump priming by the Government tends to promote inflation by enlarging the money supply in relation to the supply of goods. True prosperity does not come from repeated doses of inflation via deficit financing by the Government. If we wish to forestall that kind of inflation in the future, we should avoid an excessive rise in the Federal debt through continual heavy budget deficits."

Joins Dean Witter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William C. Cassell has joined the staff of Dean Witter & Co., 632 South Spring Street.

Lloyd Arnold Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Albert R. Gulbin, Asher Jagoda, Oliva Maltby and Gerald B. Morrison have been added to the staff of Lloyd Arnold & Company, 364 North Camden Drive.

With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Kenneth L. Brown is now affiliated with Dean Witter & Co., 45 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Joins Witter Staff

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—Samuel M. Yates has become connected with Dean Witter & Co., 34 North First Street.

Capital Planning Opens

NASHVILLE, Tenn. — Capital Planning Services, Inc. is conducting a securities business from offices in the Third National Bank Building. Officers are Pryor E. Cosby, president; Marshall E. Derryberry III, vice president and treasurer; and P. A. Todd, secretary. Mr. Cosby was formerly president of Cosby and Co. of Clearwater, Fla.

Opens New Branch

CLIFTON, N. J. — Edwards & Hanly has opened a branch office at 955 Allwood Road under the direction of James Vanderbeck.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	Aug. 1	§12.8	*12.9	87.2	57.8
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 1	§362,000	*365,000	2,215,000	1,561,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 17	6,858,275	6,802,425	7,016,825	6,528,385
Crude runs to stills—daily average (bbls.)	July 17	¶7,946,000	7,836,000	8,000,000	7,450,000
Gasoline output (bbls.)	July 17	28,419,000	28,434,000	28,584,000	27,509,000
Kerosene output (bbls.)	July 17	1,598,000	1,644,000	1,864,000	1,804,000
Distillate fuel oil output (bbls.)	July 17	12,701,000	11,457,000	12,731,000	11,266,000
Residual fuel oil output (bbls.)	July 17	6,563,000	6,466,000	6,310,000	6,891,000
Stocks at refineries, bulk terminals, in transit, in pipe line					
Finished and unfinished gasoline (bbls.) at	July 17	189,859,000	192,752,000	200,624,000	179,556,000
Kerosene (bbls.) at	July 17	28,232,000	28,494,000	26,600,000	25,631,000
Distillate fuel oil (bbls.) at	July 17	129,352,000	125,818,000	111,930,000	113,483,000
Residual fuel oil (bbls.) at	July 17	54,269,000	54,349,000	54,439,000	67,199,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 18	585,070	554,426	723,738	582,244
Revenue freight received from connections (no. of cars)	July 18	469,892	457,519	592,001	450,902
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 23	$651,700,000	$446,600,000	$491,900,000	$455,420,000
Private construction	July 23	237,300,000	228,100,000	250,700,000	152,643,000
Public construction	July 23	414,400,000	218,500,000	241,200,000	302,777,000
State and municipal	July 23	383,400,000	139,100,000	201,800,000	224,914,000
Federal	July 23	31,000,000	79,400,000	39,400,000	77,863,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 18	7,120,000	*1,520,000	9,335,000	7,535,000
Pennsylvania anthracite (tons)	July 18	354,000	44,000	400,000	458,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 18	118	126	143	110
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 25	13,577,000	13,415,000	13,749,000	12,319,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 23	245	242	256	264
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 21	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	July 21	$66.41	$66.41	$66.41	$66.49
Scrap steel (per gross ton)	July 21	$39.50	$39.17	$38.17	$38.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 22	29.600c	29.550c	31.050c	26.100c
Export refinery at	July 22	26.975c	26.375c	27.600c	24.825c
Lead (New York) at	July 22	12.000c	12.000c	12.000c	11.000c
Lead (St. Louis) at	July 22	11.800c	11.800c	11.800c	10.800c
‡Zinc (delivered) at	July 22	11.500c	11.500c	11.500c	10.500c
Zinc (East St. Louis) at	July 22	11.000c	11.000c	11.000c	10.000c
Aluminum (primary pig. 99.5%) at	July 22	24.700c	24.700c	24.700c	24.000c
Straits tin (New York) at	July 22	102.250c	102.250c	103.875c	95.125c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 28	83.56	83.89	83.46	92.75
Average corporate	July 28	85.85	85.85	85.98	95.47
Aaa	July 28	89.37	89.37	89.23	100.81
Aa	July 28	87.59	87.72	87.59	98.41
A	July 28	85.46	85.46	85.98	95.16
Baa	July 28	81.46	81.29	81.66	88.13
Railroad Group	July 28	84.81	85.07	85.20	91.19
Public Utilities Group	July 28	85.20	84.94	85.07	96.54
Industrials Group	July 28	87.86	87.59	87.99	98.73
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 28	4.12	4.09	4.14	3.14
Average corporate	July 28	4.72	4.72	4.71	4.04
Aaa	July 28	4.46	4.46	4.47	3.70
Aa	July 28	4.59	4.58	4.59	3.85
A	July 28	4.75	4.75	4.71	4.06
Baa	July 28	5.07	5.08	5.05	4.55
Railroad Group	July 28	4.80	4.78	4.77	4.33
Public Utilities Group	July 28	4.77	4.79	4.78	3.97
Industrials Group	July 28	4.57	4.59	4.56	3.83
MOODY'S COMMODITY INDEX	July 28	380.3	381.1	385.5	400.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 18	278,124	255,670	295,404	262,002
Production (tons)	July 18	274,741	180,359	327,830	255,448
Percentage of activity	July 18	84	56	98	83
Unfilled orders (tons) at end of period	July 18	565,951	567,234	495,750	451,865
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 24	110.80	110.91	109.85	110.31
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	July 3	2,009,000	2,346,590	2,213,060	1,322,770
Short sales	July 3	321,470	335,610	377,580	277,720
Other sales	July 3	1,841,450	1,944,660	1,898,780	1,001,640
Total sales	July 3	2,162,920	2,280,270	2,276,360	1,279,360
Other transactions initiated off the floor—					
Total purchases	July 3	318,670	407,240	389,850	265,500
Short sales	July 3	25,400	45,300	42,200	20,300
Other sales	July 3	324,170	355,600	458,220	278,770
Total sales	July 3	349,570	400,900	500,420	299,070
Other transactions initiated on the floor—					
Total purchases	July 3	635,090	729,618	654,933	419,094
Short sales	July 3	81,960	115,890	107,180	132,430
Other sales	July 3	664,246	713,250	843,416	478,576
Total sales	July 3	746,206	829,140	950,596	611,006
Total round-lot transactions for account of members—					
Total purchases	July 3	2,962,760	3,483,448	3,257,843	2,007,364
Short sales	July 3	428,830	496,800	526,960	430,450
Other sales	July 3	2,829,866	3,013,510	3,200,416	1,758,986
Total sales	July 3	3,258,696	3,510,310	3,727,376	2,189,436
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	July 3	1,571,175	1,653,714	1,842,689	979,005
Dollar value	July 3	$86,848,352	$90,089,963	$106,482,864	$45,019,661
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 3	1,317,297	1,537,468	1,540,429	902,816
Customers' short sales	July 3	5,432	7,682	12,170	6,599
Customers' other sales	July 3	1,311,865	1,529,786	1,528,259	896,217
Dollar value	July 3	$67,845,349	$77,071,580	$83,459,923	$38,883,018
Round-lot sales by dealers—					
Number of shares—Total sales	July 3	347,730	436,710	400,520	294,410
Short sales	July 3	------	------	------	------
Other sales	July 3	347,730	436,710	400,520	294,410
Round-lot purchases by dealers— Number of shares	July 3	590,290	564,070	670,280	331,080
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	July 3	494,010	582,950	636,980	617,440
Other sales	July 3	13,181,710	14,804,890	15,144,600	10,237,690
Total sales	July 3	13,675,720	15,387,840	15,781,580	10,855,130
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 21	119.2	*119.4	119.6	119.3
Farm products	July 21	88.1	*88.6	90.7	94.1
Processed foods	July 21	107.0	*107.5	108.0	112.4
Meats	July 21	98.4	99.8	103.9	113.9
All commodities other than farm and foods	July 21	128.1	128.2	127.9	126.0

*Revised figure. ¶Includes 1,085,000 barrels of foreign crude runs. §Based on new annual capacity of 147,633,670 tons as of Jan. 1, 1959, as against Jan. 1, 1958 basis of 140,742,570 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of June 30:			
Imports	$255,568,000	$285,603,000	$282,076,000
Exports	327,084,000	350,432,000	374,988,000
Domestic shipments	13,725,000	14,818,000	20,043,000
Domestic warehouse credits	19,498,000	28,599,000	305,266,000
Dollar exchange	111,350,000	102,892,000	121,327,000
Based on goods stored and shipped between foreign countries	255,849,000	255,904,000	247,806,000
Total	$983,074,000	$1,038,248,000	$1,351,506,000
COAL OUTPUT (BUREAU OF MINES)—Month of June:			
Bituminous coal and lignite (net tons)	36,470,000	34,920,000	34,155,000
Pennsylvania anthracite (net tons)	1,708,000	1,388,000	1,963,000
COKE (BUREAU OF MINES)—Month of May:			
Production (net tons)	6,384,126	*6,226,274	3,898,829
Oven coke (net tons)	6,244,122	6,074,002	3,862,390
Beehive coke (net tons)	140,004	1152,272	36,439
Oven coke stock at end of month (net tons)	3,150,104	3,422,876	3,886,162
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—			
As of June 30 (000's omitted)	$729,000	$791,000	$966,000
COPPER INSTITUTE — For month of June:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	110,209	*114,169	82,072
Refined (tons of 2,000 pounds)	138,403	*135,031	107,918
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	150,993	*135,135	100,796
Refined copper stocks at end of period (tons of 2,000 pounds)	84,798	86,132	245,450
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—			
Crop as of July 1 (in thousands):			
Corn, all (bushels)	4,224,450	------	3,799,844
Wheat, all (bushels)	1,155,132	1,181,596	1,462,218
Winter (bushels)	932,878	941,236	1,179,924
All spring (bushels)	222,254	240,360	282,294
Durum (bushels)	19,913	------	22,077
Other spring (bushels)	202,341	------	260,217
Oats (bushels)	1,009,625	------	1,422,164
Barley (bushels)	414,355	------	470,449
Rye (bushels)	21,437	------	32,485
Flaxseed (bushels)	27,596	------	39,543
Rice (100-lb. bags)	52,166	------	47,015
Hay, all (tons)	109,594	------	121,924
Hay, wild (tons)	8,956	------	10,481
Hay, alfalfa (tons)	61,797	------	67,134
Hay, clover and timothy (tons)	21,785	------	24,441
Hay, lespedeza (tons)	4,581	------	6,017
Beans, dry edible (cleaned—100-lb. bags)	18,434	------	18,961
Peas, dry field (bags)	4,045	------	2,475
Potatoes (hundredweight)—			
Winter	3,874	3,874	4,971
Early spring	3,311	3,311	4,703
Late spring	22,553	22,657	24,152
Early summer	13,614	13,931	14,659
Late summer	33,206	------	34,308
Fall	------	------	182,936
Total	------	------	265,729
Sweetpotatoes (hundredweight)	17,598	------	17,434
Tobacco (pounds)	1,783,199	------	1,736,204
Sugarcane for sugar and seed (tons)	8,048	------	6,681
Sugar beets (tons)	15,918	------	15,183
Hops (pounds)	51,492	------	48,407
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of June:			
Contracts closed (tonnage)—estimated	290,911	241,612	286,798
Shipments (tonnage)—estimated	365,434	294,127	329,240
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of June:			
Seasonally adjusted	155	153	132
Unadjusted	155	153	131
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of June (1947-49=100)	64.4	64.2	63.4
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of June	£20,763,000	£43,775,000	£39,365,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of June (in billions):			
Total personal income	$382.9	*$381.3	Not avail.
Wage and salary receipts, total	261.1	*259.8	"
Commodity producing industries	110.4	*109.8	"
Manufacturing only	87.2	*86.7	"
Distributing industries	67.8	*67.5	"
Service industries	37.2	*37.1	"
Government	45.7	*45.4	"
Other labor income	10.0	*9.9	"
Business and professional	34.6	*34.5	"
Farm	12.1	*12.0	"
Rental income of persons	12.0	*12.0	"
Dividends	13.1	*13.0	"
Personal interest income	22.2	*22.0	"
Transfer payments	26.2	*26.4	"
Less employees' contribution for social insurance	8.4	*8.3	"
Total nonagricultural income	366.9	*365.3	"
PORTLAND CEMENT (BUREAU OF MINES)—Month of May:			
Production (barrels)	33,428,000	29,093,000	29,274,000
Shipments from mills (barrels)	32,992,000	30,135,000	30,525,000
Stocks at end of month (barrels)	36,528,000	*36,378,000	33,673,000
Capacity used (per cent)	96	88	92
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of March:			
Net railway operating income	$79,139,549	$39,793,696	$44,165,964
Other income	19,437,331	20,344,796	20,731,684
Total income	98,576,880	60,138,492	64,897,648
Miscellaneous deductions from income	4,725,135	4,442,453	4,608,644
Income available for fixed charges	93,851,745	55,696,039	60,289,004
Income after fixed charges	62,309,437	24,271,958	28,681,115
Other deductions	4,271,268	4,285,805	3,977,343
Net income	58,038,169	19,986,153	24,703,772
Depreciation (way & structure & equipment)	50,273,507	50,670,204	50,181,644
Federal income taxes	34,303,989	15,294,773	15,035,391
Dividend appropriations:			
On common stock	45,664,700	28,640,569	24,586,576
On preferred stock	824,005	8,231,205	1,818,626
Ratio of income to fixed charges	2.98	1.77	1.91
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of June:			
Net sales	------	------	$73,296,450
Net purchases	$9,869,500	$53,131,900	------

*Estimated.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Acme Missiles & Construction Corp. (8/27)
July 24 filed 200,000 shares of common stock, of which 150,000 shares will be offered for public sale for the account of the company, and 50,000 shares will be offered for the accounts of the present holders thereof. **Price**—$6 per share. **Proceeds**—For general corporate purposes, including additional personnel, office space, equipment, and the provision of funds necessary to compete for certain contracts. **Office**—2949 Long Beach Road, Oceanside, L. I., N. Y. **Underwriter** — Myron A. Lomasney & Co., New York.

★ Acorn Industries, Inc.
July 22 (letter of notification) 200,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For working capital; purchase of machinery and equipment and for leasing of a plant in Plainview, L. I., N. Y. **Office**—930 Newark Avenue, Jersey City 6, N. J. **Underwriter**—Lawrence Securities, Inc., 32 Broadway, New York.

★ Air Products, Inc. (8/19)
July 24 filed 115,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes including the construction of additional gas producing plants and the expansion of industrial and medical gas operations. **Office**—Allentown, Pa. **Underwriters**—Kuhn, Loeb & Co. and Reynolds & Co. of New York; and Drexel & Co. of Philadelphia, Pa.

Alabama Gas Corp. (8/6)
July 8 filed 30,843 series A cumulative preferred stock, par $100 (with attached warrants) to be offered to stockholders of record Aug. 6, 1959, on the basis of one new share of preferred stock for each 30 shares of common stock then held. Rights expire Aug. 26, 1959. Warrant, not exercisable before Jan. 20, 1960, will entitle holder to purchase 3 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To pay construction costs. **Underwriters**—White, Weld & Co., New York; and Sterne, Agee & Leach, Birmingham, Alabama.

● Alabama Gas Corp. (8/18)
July 8 filed $4,000,000 of series E first mortgage bonds, due Aug. 1, 1984. **Proceeds**—To pay construction costs. and short-term bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White Weld & Co., Stone & Webster Securities Corp. and Kidder, Peabody & Co. (jointly); Salomon Bros. & Hutzler and Equitable Securities Corp. (jointly). **Bids**—Expected to be received until 11:30 a.m. (EDT) on Aug. 18, at the offices of Shearman & Sterling & Wright, 20 Exchange Place, New York City.

Alaska Mines & Metals Inc.
Feb. 25 filed 1,431,200 shares of common stock (par $1), of which 1,000,000 shares are to be offered publicly and 431,200 shares are to be reserved for sale to the holders of 6% debentures due 1962 issued by DeCoursey-Brewis Minerals Ltd., the company's parent (payment for the shares by such debenture holders may be made by delivery of debentures at par plus interest with premium for Canadian exchange rate). Purchasers will receive common stock purchase warrants on all shares purchased for cash or for the 6% debentures of the parent at the rate of one for each five shares purchased. **Price**—$1.25 per share. **Proceeds**—For general corporate purposes and working capital. **Office**—423 Fourth Ave., Anchorage, Alaska. **Underwriter**—To be named by amendment.

Aldens, Inc.
July 21 filed $4,550,600 of convertible subordinated debentures, due Aug. 1, 1979, to be offered to common stockholders of record Aug. 14, 1959 on the basis of $100 of debentures for each 16 common shares then held. **Office**—Chicago, Ill. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Lehman Brothers, New York.

All-State Properties, Inc.
June 26 filed 38,697 outstanding shares of capital stock (par $1). **Proceeds**—To selling stockholders. **Price**—To be offered from time to time in the over-the-counter market or (if the shares are listed) on the American Stock Exchange at the then prevailing market price. **Office**—30 Verbena Ave., Floral Park, N. Y. **Underwriter**—None.

Allied Colorado Enterprises Co.
July 13 filed 5,899,618 shares of class A common stock and 551,140 shares of class A-1 common stock for issuance under outstanding subscription agreements at 75 cents per share and 6,576,200 shares of class A common stock for issuance under outstanding option agreements at 25 cents per share. These securities will not be issued if the options and subscription agreements are not exercised. **Proceeds**—For working capital and surplus of subsidiaries and for general corporate purposes. **Underwriters**—Allen Investment Co., Boulder, Colo., and Mountain States Securities Corp., Denver, Colo.

Allied Colorado Enterprises Co.
July 13 filed 3,000,000 class A common stock (par 25 cents). **Price**—90 cents per share. **Proceeds**—For general corporate purposes. **Office**—Boulder, Colo. **Underwriter**—Allen Investment Co., Boulder, Colo.

Allied Petro-Chemicals, Inc. (9/9)
July 14 filed 100,000 shares of class A common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—To be added to company funds. **Office**—Overbrook Hills, Pa. **Underwriter**—Philadelphia Securities Co., Inc., Philadelphia, Pa.

● Alscope Explorations Ltd.
March 26 filed 1,000,000 shares of capital stock, of which 700,000 shares are to be offered publicly in the United States, and 300,000 shares in Canada. **Price**—Related to the then current market price on the Canadian Stock Exchange (17 cents per share on July 24). **Proceeds**—For properties, drilling costs, working capital and general corporate purposes. **Office** — 303 Alexandra Bldg., Edmonton, Canada. **Underwriter**—None in United States; Forget & Forget in Montreal, Canada. Statement effective June 1.

America Mines, Inc.
June 29 filed 150,000 shares of common stock. **Price**—$5 per share. **Proceeds**—To assume and pay an option held by its Mexican subsidiary to purchase certain mining claims in the State of Durango, Mexico, owned by Compania Minera La Bufa, S. A., by paying to such company $50,000; to construct and place in working operation a mine, mill and accessories capable of processing 100 tons of gold ore per day estimated to cost $350,000; payment of about $15,000 of other obligations; to carry on with the balance of the proceeds an exploration program for additional gold and mineral properties both in Mexico and the United States. **Office** — Bank of the Southwest Building, Houston, Tex. **Underwriter**—None.

American Beverage Corp.
July 16 filed 950,000 shares of common stock. **Proceeds**—The stock is to be exchanged for all the outstanding capital stock of a group of "Golden Age" companies. **Office**—118 N. 11th Street, Brooklyn, N. Y. **Underwriter**—None.

American & Foreign Power Co., Inc.
June 30 filed $22,500,000 of convertible junior debentures, due 1982. **Price**—To be supplied by amendment. **Proceeds**—To be applied in part to the repayment of outstanding bank loans, and the balance will be used for general corporate purposes, including investments in subsidiary companies, to aid in their construction programs. **Underwriter**—The First Boston Corp. and Lazard Freres & Co., New York. **Offering**—Late this summer.

American Investors Syndicate, Inc.
June 25 filed 600,000 shares of common stock (par 10 cents), and 200,000 shares of 6% preferred stock (no par value, $9 stated value), to be offered in units consisting of 3 shares of common ($1 each) and 1 share of preferred ($9). **Price**—$12 per unit. **Proceeds**—For construction and related expenditures. **Office**—513 International Trade Mart, New Orleans, La. **Underwriter**—Lindsay Securities Corp., New Orleans, La.

● American-Saint Gobain Corp.
June 26 filed $11,221,500 of subordinated convertible debentures, due 1983, and 544,314 shares of common stock. The debentures are being offered to common stockholders on the basis of $100 principal amount of debentures for each eight shares of common stock held on July 28, 1959; rights to expire on Aug. 12, 1959. The common shares are being offered to present stockholders on the basis of one new share for each 3½ shares held on July 28, 1959; rights to expire on Aug. 12, 1959. **Price**—To be supplied by amendment. **Proceeds**—For payment of long-term debt and, in part, for plant construction. **Underwriter**—F. Eberstadt & Co., New York.

American & St. Lawrence Seaway Land Co., Inc.
July 8 filed 500,000 shares of common stock to be offered publicly. **Price**—$3 per share. **Proceeds**—To pay off mortgages and for general corporate purposes. **Office**—60 East 42nd Street, New York. **Underwriter**—A. J. Gabriel & Co., Inc., New York.

Amican Petroleum & Natural Gas Corp. Ltd.
March 23 filed 745,000 shares of capital stock (no par), of which 500,000 shares are to be sold for the account of the company, and 245,000 shares by the holders thereof. **Price**—30 cents per share. **Proceeds**—For exploration and development program. **Office** — 2100 Scarth Street, Regina, Saskatchewan, Canada. **Underwriter**—Cumberland Securities, Ltd., Regina, Canada.

Apache Oil Corp.
May 25 filed 350 units of participation in the Apache Oil Program 1960 and 70,000 rights for the purchase of common stock (par $1.25). The offering is being made only to the stockholders of the company. Each subscription to a unit in Apache Oil Program 1960, will entitle the subscriber to subscribe also to 200 rights for the purchase of one share per right of the company's $1.25 par value common stock. Warrants evidencing the rights will be nontransferable prior to Aug. 16, 1960, and will expire at 2:00 p.m., (CST) on Jan. 31, 1962. Unless Apache Oil Program 1960 commences operations on or before June 30, 1960, all unexercised rights will be void as of 2:00 p.m. (CST) on that date, and their purchase price will be refunded. **Price**—$12,000 per unit. **Proceeds** — For general corporate purposes. **Office** — 523 Marquette Avenue, Minneapolis, Minn. **Underwriter**—APA, Inc., the corporation's subsidiary.

Appalachian National Life Insurance Co.
July 1 filed 966,667 shares of common stock, including 160,000 shares reserved for option to employees and directors. **Price**—$3 per share. **Proceeds**—To be used for the conduct of the company's insurance business. **Office**—1401 Bank of Knoxville Bldg., Knoxville, Tenn. **Underwriters**—Abbott, Proctor & Paine, New York; Cumberland Securities Corp., Nashville, Tenn.; Davidson & Co., Inc. and Investment Corp. of Fidelity, both of Knoxville, Tenn. **Offering**—Expected sometime during August.

★ Axe Houghton Fund A, Inc.
July 24 filed an additional 1,000,000 shares of common stock. **Price**—At market. Proceeds For investment. **Office**—400 Benedict Avenue, Tarrytown, N. Y.

Bankers Preferred Life Insurance Co.
Jan. 30 (letter of notiifcation) 100,000 shares of common stock (par $1.60). **Price**—$3 per share. **Proceeds**—For expenses incidental to operation of an insurance company. **Office**—Suite 619, E. & C. Bldg., Denver, Colo. **Underwriter**—Ringsby Underwriters, Inc., Denver 2, Colo.

Barton Distilling Co.
July 6 filed $2,000,000 of 6% secured notes due July 1, 1965. These are direct obligations of the company secured by whiskey warehouse receipts for not less than 2,500,000 original proof gallons of Kentucky bourbon whiskey produced by the company not earlier than Jan. 1, 1959. **Price**—To be supplied by amendment. **Proceeds**—To finance whiskey during its aging period. **Underwriter**—Fulton Reid & Co., Inc., Cleveland, Ohio. **Offering**—Late in August.

Basic Materials, Inc.
April 9 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office**—c/o Harold A. Roberts, President, Arroyo Hondo, Santa Fe, N. Mex. **Underwriter** — Hyder, Rosenthal & Co., Albuquerque, N. Mex.

Baton Rouge Water Works Co.
July 14 (letter of notification) 26,643 shares of common stock (no par) to be offered for subscription by stockholders. Rights expire July 29. **Price**—$11 per share. **Proceeds**—To enlarge the distribution system. **Office**—131 Lafayette St., Baton Rouge, La. **Underwriter**—None.

Beverages Bottling Corp.
July 6 filed 300,000 shares of common stock (par 10¢). **Price**—$1. **Proceeds**—For general corporate purposes. **Underwriter** — Financial Management, Inc., 11 Broadway, New York.

★ Beverages Bottling Corp.
July 6 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For construction or purchase of additional facilities for the manufacture, warehousing and distribution of beverages. **Office**—800 St. Anns Avenue, Bronx, N. Y. **Underwriter**—Financial Management, Inc., 11 Broadway, New York, N. Y.

Big Apple Supermarkets, Inc. (8/10)
June 24 filed 425,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—Expansion and working capital. **Underwriter**—Simmons & Co., New York.

★ Bluegrass Oil & Gas Corp.
July 15 filed 3,000 shares of common stock (par value $50). **Price**—$50 per share. **Proceeds**—For expenses incidental to exploring for oil and gas. **Office**—310 West Liberty St., Louisville, Ky. **Underwriter**—None.

● Bostic Concrete Co., Inc. (8/19)
June 19 (letter of notification) $250,000 of 8% convertible debentures due July 1, 1969 and 10,000 shares of class A common stock (par $1) to be offered in units of one $500 debenture and 20 shares of class A common stock. **Price**—$600 per unit. **Proceeds**—To pay obligations and for working capital. **Office** — 1205 Oil Centre Station, Lafayette, La. **Underwriter**—Syle & Co., New York, N.Y.

Boston Harbor Marina, Inc.
June 29 (letter of notification) 756 shares of common stock (no par) and 1,512 shares of preferred stock (no par) to be offered for subscription by stockholders of record July 6, 1959 in units of one share of common and two shares of preferred. **Price**—To stockholders, $100 per unit; to the public, $125 per unit. **Proceeds** — For expenses for operating a boat marina. **Office**—542 E. Squantum Street, North Quincy, Mass. **Underwriter**—None.

Branson Instruments, Inc. (8/5)
July 10 filed 40,000 shares of common stock (par $1), of which 10,000 shares will be sold for the company's account and 30,000 shares for selling stockholders. **Proceeds**—Additional inventory, working capital, and general funds. **Office**—Stamford, Conn. **Underwriter**—McDonnell & Co., Inc., New York.

★ Bridghampton Road Races Corp.
July 16 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For working capital and to pay expenses. **Address**—P. O. Box 506, Bridgehampton, L. I., N. Y. **Underwriter**—None.

★ Broadway-Hale Stores, Inc. (8/25)
July 27 filed $10,000,000 of subordinated debentures, due Aug. 1, 1979. **Price**—To be supplied by amendment. **Proceeds**—For construction of new stores and for general corporate purposes. **Office**—401 South Broadway, Los Angeles, Calif. **Underwriter**—Blyth & Co., Inc., Los Angeles and New York.

● Brockton Taunton Gas Co.
June 29 filed 37,268 shares of common stock, being offered for subscription by common stockholders of record July 29, 1959, on the basis of one new share for each eight shares and five shares for each 11 shares of cumulative preferred then held; rights to expire on Aug. 13, 1959. **Price**—$17 per share. **Proceeds**—For repayment of

short-term bank loans incurred under the company's 1956-1958 construction program. **Office** — 178 Atlantic Ave., Boston, Mass. **Underwriter** — The First Boston Corp., New York.

★ California Metals Corp.
July 27 filed 2,500,000 shares of common stock. **Price**—20 cents per share. **Proceeds**—For construction of a pilot plant; for measuring ore; for assaying; and for general corporate purposes. **Office**—3955 South State Street, Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., Inc., Salt Lake City.

★ Cary Chemicals, Inc. (8/17-21)
July 28 filed $3,500,000 of subordinated debentures due Sept. 1, 1979 and 205,000 shares of common stock (par 10 cents) to be offered in units. The number of shares in each unit will be determined prior to the public offering. **Price—$500 per unit. Proceeds**—For general corporate purposes, including working capital. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York.

● Casco Chemical Corp. (8/3)
July 10 filed 300,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For marketing of "Resistolox 20," (an anti-oxidant) and for general corporate purposes. **Office**—207 American Bank & Trust Bldg., Dallas, Tex. **Underwriter**—Pearson, Murphy & Co., Inc., New York.

Central American Mineral Resources, S. A.
May 27 filed 620,000 shares of common stock, of which 500,000 shares are to be offered for the account of the company and 120,000 shares for the account of certain selling stockholders. **Price**—$1 per share. **Proceeds**—To finance acquisitions and to increase working capital. **Office**—161 East 42nd St., New York, N. Y. **Underwriter**—None.

Central Charge Service, Inc. (8/12)
July 17 filed $500,000 of 5½% convertible capital debentures. **Price**—At 100% of principal amount. **Proceeds**—To add to working capital, buy accounts receivable, and reduce short-term indebtedness. **Office**—620 — 11th St., N. W., Washington, D. C. **Underwriter**—Auchincloss, Parker & Redpath, New York.

★ Certified Industries, Inc., Dover, Del.
July 13 (letter of notification) 66,500 shares of class A stock (par $1). **Price**—$4.50 per share. **Proceeds**—For equipment and expansion of plant facilities. **Underwriter**—None.

Citizens' Acceptance Corp.
June 29 filed $600,000 of series F 6% five-year subordinated debentures, to be offered to the present holders of the company's subordinated debentures in exchange, at face value, on the maturity dates of those securities so long as there are bonds remaining unsold in this offering. No bonds will be reserved for this exchange offering. **Price**—100% of principal amount. **Proceeds**—To increase or maintain the working capital of the company but will be initially applied to the reduction of short-term notes due within one year. Part of the proceeds may also be used to retire outstanding subordinated debentures not exchanged. **Office**—Georgetown, Del. **Underwriter**—None.

Civic Finance Corp.
May 21 (letter of notification) 11,116 shares of common stock (par $2) being offered on a share-for-share exchange basis to stockholders of Milwaukee Loan & Finance Co. Offer expires on or before Aug. 1, 1959. **Office** 633 N. Water St., Milwaukee, Wis. **Underwriter**—None

● Cohu Electronics, Inc. (8/26)
July 20 filed 356,125 shares of common stock (par $1) to be made available to stockholders on a basis of one share for every three held as of the record date. **Price**—To be supplied by amendment. **Proceeds**—To reduce outstanding indebtedness, for expansion, and for working capital. **Office**—San Diego, Calif. **Underwriters**—Hayden, Stone & Co., and Winslow, Cohu and Stetson, Inc., both of New York.

● Colonial Energy Shares, Inc. (8/3)
May 5 filed 1,200,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Boston, Mass. **Underwriters**—White, Weld & Co., New York, and Dean Witter & Co., Los Angeles, Calif.

★ Colonial Fund, Inc.
July 27 filed 1,000,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—75 Federal Street, Boston, Mass.

Colorado Water & Power Co.
Feb. 25 (letter of notification) $220,000 of 6% unsecured debentures due April 1, 1964 and 1,100 shares of common stock (par $1) to be offered in units of $200 of debentures and one share of stock. **Price — $205 per unit. Proceeds**—For working capital. **Office**—Suite 421, 901 Sherman Street, Denver, Colo.

Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. Price—To be supplied by amendment. Proceeds — To

Continued on page 36

NEW ISSUE CALENDAR

July 30 (Thursday)

Elion Instruments, Inc. .... Common
(Harrison & Co.) $300,000

Hickerson Bros. Truck Co., Inc. .... Common
(Birkenmayer & Co.) $285,000

North Hills Electric Co. .... Common
(D. F. Bernheimer & Co., Inc.) $300,000

Raythern Corp. .... Common
(Blyth & Co., Inc. and Schwabacher & Co.) $1,125,000

August 3 (Monday)

Casco Chemical Corp. .... Common
(Pearson, Murphy & Co., Inc.) $300,000

Colonial Energy Shares, Inc. .... Common
(White, Weld & Co. and Dean Witter & Co.) 1,200,000 shares

Crowell-Collier Publishing Co. .... Common
(Carl M. Loeb, Rhoades & Co.) 200,000 shares

Edwards Steel Corp. .... Common
(Charles Plohn & Co.) $700,000

Extrudo-Film Corp. .... Common
(Maltz, Greenwald & Co.) $525,000

Horizon Land Corp. .... Common
(Ross, Lyon & Co., Inc.) $300,000

Hudson Radio & Television Corp. .... Common
(J. A. Winston & Co., Inc. and Netherlands Securities Co., Inc.) $1,000,000

Interstate Life & Accident Insur. Co. .... Common
(Equitable Securities Corp.) 350,000 shares

Micronaire Electro Medical Products Corp. .... Com. and War.
(General Investing Corp.) $5,500,000

Narda Microwave Corp. .... Common
(Milton D. Blauner & Co., Inc.) 50,000 shares

Pioneer Finance Co. .... Debentures
(White, Weld & Co. and Watling, Lerchen & Co.) $1,000,000

St. Clair Specialty Manufacturing Co., Inc. Common
(Stifel, Nicolaus & Co., Inc. and Walston & Co., Inc.) 30,000 shares

Southern Nitrogen Co., Inc. .... Common
(Harriman Ripley & Co., Inc.) 136,400 shares

Standard Aircraft Equipment Co. .... Common
(Adams & Peck) $300,000

August 4 (Tuesday)

Hexcel Products, Inc. .... Common
(F. S. Smithers & Co.) 50,000 shares

Microsonics, Inc. .... Common
(Lee Co.) $152,500

Pennsylvania Electric Co. .... Bonds
(Bids 11 a.m. EDT) $15,000,000

Silver Creek Precision Corp. .... Common
(Maltz, Greenwald & Co.) 1,550,000 shares

Television Shares Management Corp. .... Common
(White, Weld & Co.) 206,500 shares

Zapata Off-Shore Co. .... Common
(G. H. Walker & Co.) 229,585 shares

August 5 (Wednesday)

Branson Instruments, Inc. .... Common
(McDonnell & Co., Inc.) 40,000 shares

Community Credit Co. .... Preferred
(Wachob-Bender Corp.) $300,000

Coral Ridge Properties, Inc. .... Common
(Crutenden, Podesta & Co. and J. R. Williston & Beane) 450,000 shares

Coral Ridge Properties, Inc. .... Preferred
(Cruttenden, Podesta & Co. and J. R. Williston & Beane) 450,000 shares

Electronic Data Processing Center, Inc. .... Common
(Zilka, Smither & Co., Inc. and Camp & Co.) $170,000

Faradyne Electronics Corp. .... Common
(Charles Plohn & Co. and Netherlands Securities Co., Inc.) $1,320,000

Gabriel Co. .... Debentures
(Prescott, Shepard & Co., Inc. and Carl M. Loeb, Rhoades & Co.) $2,500,000

Jefferson Wire & Cable Corp. .... Common
(Charles Plohn & Co. and Netherlands Securities Co., Inc.) $375,000

National Packaging Corp. .... Common
(First Securities Corp.) $164,000

Northwest Defense Minerals, Inc. .... Common
(Caldwell Co.) $300,000

Pacific Power & Light Co. .... Debentures
(Bids to be invited) $10,996,000

August 6 (Thursday)

Alabama Gas Corp. .... Preferred
(Offering to stockholders—underwritten by White, Weld & Co., and Sterne, Agee & Leach) $3,084,300

Buckingham Transportation Inc. .... Common
(Cruttenden, Podesta & Co.) 250,000 shares

Lieco, Inc. .... Common
(Netherlands Securities Co., Inc. and J. A. Winston & Co., Inc.) $300,000

New York Capital Fund of Canada Ltd. .... Common
(Carl M. Loeb, Rhoades & Co.) 1,000,000 shares

August 7 (Friday)

Owens Yacht Co., Inc. .... Common
(Shields & Co.) 300,000 shares

August 10 (Monday)

Big Apple Supermarkets, Inc. .... Common
(Simmons & Co.) $850,000

Controls Co. of America .... Common
(Merrill Lynch, Pierce, Fenner & Smith and Lee Higginson Corp.) 191,703 shares

Long (Hugh W.) & Co., Inc. .... Common
(Clark, Dodge & Co.) 280,000 shares

Supercrete Ltd. .... Common
(Straus, Blosser & McDowell) 300,000 shares

Tape Cable Electronics Co., Inc. .... Common
(Charles Plohn & Co. and Netherlands Securities Co.) $412,500

August 11 (Tuesday)

Georgia Int. Life Insurance Co. .... Common
(Johnson, Lane, Space Corp. and Robinson-Humphrey Co., Inc.) $8,325,000

Michigan Bell Telephone Co. .... Debentures
(Bids to be invited) $30,000,000

August 12 (Wednesday)

Central Charge Service, Inc. .... Debentures
(Auchincloss, Parker & Redpath) $500,000

Chesapeake & Ohio Ry. .... Equip. Trust Ctfs.
(Bids to be invited) $2,500,000

Florida Water & Utilities Co. .... Common
(Bell & Hough, Inc.) 86,000 shares

Hofman Laboratories, Inc. .... Common
(Myron A. Lomasney & Co.) $300,000

International Tuna Corp. .... Common
(Gates, Carter & Co.) $175,000

Lease Plan International Corp. .... Common
(Hayden, Stone & Co.) 140,000 shares

Magnuson Properties, Inc. .... Common
(Blair & Co., Inc.) 500,000 shares

Raub Electronics Research Corp. .... Common
(Weil & Co.) $1,402,500

August 13 (Thursday)

Trans Central Petroleum Corp. .... Common
(Barnett & Co., Inc.) $100,000

August 17 (Monday)

Cary Chemicals, Inc. .... Debentures
(Lee Higginson Corp. and P. W. Brooks & Co., Inc.) $3,500,000

Cubic Corp. .... Common
(Hayden, Stone & Co.) 105,000 shares

Rorer (William H.), Inc. .... Common
(Kidder, Peabody & Co. and Schmidt, Roberts & Parke) 155,269 shares

Terminal Tower Co. .... Debentures
(Fulton Reid & Co., Inc.) $2,500,000

Tool Research & Engineering Corp. .... Common
(Shields & Co.) 250,000 shares

August 18 (Tuesday)

Alabama Gas Corp. .... Bonds
(Bids 11:30 a.m. EDT) $4,000,000

Consumers Power Co. .... Bonds
(Bids to be received) $35,000,000

Dilbert's Leasing & Development Corp. .... Debentures & Common
(S. D. Fuller & Co.) $4,505,600

Eagle Food Centers, Inc. .... Common
(Merrill Lynch, Pierce, Fenner & Smith, Inc.) 188,500 shares

Union Bag-Camp Paper Corp. .... Common
(Blyth & Co., Inc. and Cyrus J. Lawrence & Sons) 327,042 shs.

August 19 (Wednesday)

Air Products, Inc. .... Common
(Kuhn, Loeb & Co.; Reynolds & Co.; and Drexel & Co.) 115,000 shares

Bostic Concrete Co., Inc. .... Com. and Debs.
(Syle & Co.) $250,000 units

Curtis Industries, Inc. .... Common
(Prescott, Shepard & Co., Inc.) 100,000 shares

Houston Lighting & Power Co. .... Bonds
(Bids noon EDT) $25,000,000

Nord Photocopy & Business Equipm't Corp. .... Com.
(Myron A. Lomasney & Co.) $500,000

August 24 (Monday)

Cincinnati, New Orleans & Texas Pacific Ry. .... Equip. Trust Ctfs.
(Bids to be invited) $4,440,000

Executone Inc. .... Common
(Shearson, Hammill & Co.) 136,000 shares

Superior Window Co. .... Preferred
(Cruttenden, Podesta & Co.) $500,000

Superior Window Co. .... Class A Common
(Cruttenden, Podesta & Co.) $500,000

(August 25 Tuesday)

Broadway-Hale Stores, Inc. .... Debentures
(Blyth & Co., Inc.) $10,000,000

Pacific Gas & Electric Co. .... Bonds
(Bids to be invited) $65,000,000

August 26 (Wednesday)

Cohu Electronics, Inc. .... Common
(Offering to stockholders—underwritten by Hayden, Stone & Co. and Winslow, Cohu & Stetson, Inc.) 356,125 shares

Entron, Inc. .... Common
(Alkow & Co., Inc.) $1,000,000

Matronics, Inc. .... Common
(Vermilye Brothers) $750,000

Pittsburgh & Lake Erie RR. .... Equip. Tr. Ctfs.
(Bids to be invited) $3,200,000

Sea View Industries, Inc. .... Debs. & Common
(Michael G. Kletz & Co., Inc.) $714,000

August 27 (Thursday)

Acme Missiles & Construction Corp. .... Common
(Myron A. Lomasney & Co.) $1,200,000

August 28 (Friday)

Great Western Life Insurance Co. .... Common
(Offering to stockholders—underwritten by G. J. Mitchell Jr. Co. and Purvis & Co.) 500,000 shares

I C Inc. .... Common
(Purvis & Co. and Amos C. Sudler & Co.) $1,500,000

September 1 (Tuesday)

Foto-Video Laboratories, Inc. .... Common
(Arnold Malkan Co.) $300,000

Speedry Chemical Products Co., Inc. .... Common
(S. D. Fuller & Co.) 218,333 shares

September 9 (Wednesday)

Allied Petro-Chemicals, Inc. .... Common
(Philadelphia Securities Co., Inc.) $400,000

Community Public Service Co. .... Preferred
(Bids to be invited) $3,000,000

September 15 (Tuesday)

Petrosur Oil Corp. .... Common
(Simmons & Co. and Michael Horowitz) $620,000

West Florida Natural Gas Co. .... Notes & Common
(Bell & Hough Inc.) $1,750,000

September 17 (Thursday)

Georgia Power Co. .... Bonds
(Bids to be invited) $18,000,000

December 1 (Tuesday)

Consolidated Edison Co. of New York, Inc. .... Bonds
(Bids to be invited) $50,000,000

Continued from page 35

construct refinery. Underwriter—Lehman Brothers, New York. Offering—Indefinite.

Commercial Investors Corp.
Nov. 28 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For investment. **Office**—450 So. Main St., Salt Lake City, Utah. **Underwriter**—Earl J. Knudson & Co., Salt Lake City, Utah. **Offering**—Expected in August.

Community Credit Co. (8/5)
June 22 (letter of notification) 12,000 shares of 6.12% senior cumulative sinking fund preferred stock, series A. **Price**—At par ($25 per share). **Proceeds**—To retire the presently outstanding preferred stock. **Office**—3023 Farnam St., Omaha, Neb. **Underwriter** — Wachob-Bender Corp., Omaha, Neb.

Consolidated Petroleum Industries, Inc.
April 30 (letter of notification) 80,000 shares of 6% convertible preferred stock (par $3.50) and 80,000 shares of common stock (par 10 cents) to be offered in units of one share of preferred and one share of common. (Preferred stock may be converted into two shares of common stock at any time.) **Price**—$3.75 per unit. **Proceeds**—For development of gas properties. **Office**—908 Alamo National Bank Building, San Antonio, Texas. **Underwriter**—Frank Lerner Co., New York, N. Y. **Offering**—Temporarily suspended by the SEC and a hearing had been scheduled for July 14 whether to make this order permanent.

★ Consumers Power Co. (8/18)
July 24 filed $35,000,000 of first mortgage bonds, due 1989. **Proceeds**—For construction, and to repay bank loans incurred for construction purposes. **Office**—212 West Michigan Avenue, Jackson, Mich. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co., and Shields & Co. (jointly); Morgan Stanley & Co.; Harriman, Ripley & Co. and The First Boston Corp. (jointly). **Bids**—Expected to be received on or about Aug. 18.

Controls Co. of America (8/10)
July 8 filed 191,703 shares of common stock (par $5). The offering will be made after a 50% common stock distribution to stockholders of record July 24. Of the total, 50,000 shares will be sold for the account of the company and 141,703 shares for the account of a group of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To be added to the general funds of the company, with approximately $750,000 earmarked for acquisition of a Canadian plant for the production of motors and solenoids, construction of an addition to a plant at Folcroft, Pa., and acquisition of property and equipment in Arizona for production of rectifiers and other semi-conductor products. Approximately $170,000 will be used to retire notes and $250,000 will be invested in or advanced to a Swiss subsidiary. **Underwriters** — Merrill Lynch, Pierce, Fenner & Smith, Inc. and Lee Higginson Corp., both of New York.

Coral Ridge Properties, Inc. (8/5)
July 8 filed 450,000 shares of $0.60 cumulative convertible preferred stock (no par) and 450,000 shares of class A common stock (no par). The no par preferred is convertible into Class A common on a one for two basis, without additional payment. The $1 par preference stock is convertible into class A common on a 1-for-15 basis, upon payment of $3.33 per share of class A common. **Price**—To be supplied by amendment. **Proceeds**—To repay a mortgage and for general corporate purposes. **Office**—716 North Federal Highway, Fort Lauderdale, Fla. **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill., and J. R. Williston & Beane, New York.

Crescent Petroleum Corp., Tulsa, Okla.
May 26 filed 48,460 shares of 5% convertible pfd. stock ($25 par) and 12,559 shares of common ($1 par), 34,460 shares of the preferred and 9,059 shares of common are issuable upon the exercise of stock options granted when the assets of Norbute Corp. were acquired on Aug. 6, 1958. **Underwriter**—None.

Crowell-Collier Publishing Co. (8/3-7)
July 2 filed 200,000 outstanding shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

Crowley's Milk Co., Inc.
March 26 filed 60,000 outstanding shares of common stock (par $20). **Price**— To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—145 Conklin Ave., Binghamton, N. Y. **Underwriter**—None.

Crusader Life Insurance Co., Inc.
June 3 (letter of notification) 1,000 shares of common stock (par $50)to be offered for subscription by stockholders of record April 30, 1959, on the basis of one new share for each two shares held. Rights expire Aug. 25, 1959. Unsubscribed shares will be offered to the public. **Price**—$150 per share. **Proceeds**—For working capital. **Office**—640 Minnesota Ave., Kansas City, Kan. **Underwriter**—None.

Crusader Oil & Gas Corp., Pass Christian, Miss.
May 26 filed 1,500,000 shares of common stock, of which 641,613 shares will be offered on a one-for-one basis to stockholders of record May 15, 1959. The remaining 858,387 shares will be offered publicly by the underwriter on a "best efforts" basis. **Price**—To be supplied by amendment. **Proceeds**—For repayment of notes and for working capital. **Underwriter** — To be supplied by amendment.

Cubic Corp. (8/17)
July 17 filed 105,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—95.2% of the proceeds are to be used by the company to repay bank loans, acquire inventories, including electronic test and manufacturing equipment, and for general corporate purposes. 4.8% of the proceeds are to go to Robert V. Werner, a company officer, selling stockholder. **Office**—5575 Kearny Villa Road, San Diego, Calif. **Underwriter**—Hayden, Stone & Co., New York.

Curtis Industries, Inc. (8/19)
July 17 filed 100,000 shares of outstanding common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—1130 E. 222nd St., Euclid, Ohio. **Underwriter** — Prescott, Shepard & Co., Inc., Cleveland, Ohio.

Development Corp. of America
April 30 filed 1,376,716 shares of common stock (par $1) reserved for issuance upon conversion of shares of the company's $1.25 cumulative convertible preferred stock received by DCA common stockholders in connection with the recently consummated merger of Real Estate Equities, Inc., into DCA and the plan of reorganization consummated in connection therewith. **Underwriter**—None.

Development Corp. of America
June 29 Registered issue. (See Equity General Corp. below.)

Dilbert's Leasing & Development Corp. (8/18-20)
June 11 filed $4,400,000 of 20-year 5½% convertible debentures, due July 15, 1979 and 1,056,000 shares of common stock (par one cent) to be offered in units consisting of $50 principal amount of debentures and 12 shares of common stock. **Price**—$51.20 per unit. **Proceeds**—For repayment of notes; to develop and construct shopping centers and a super-market under existing purchase contracts and for working capital. **Name Changed** — Company formerly known as Dilbert's Properties, Inc. **Office**—93-02 151st Street, Jamaica, N. Y. **Underwriter**—S. D. Fuller & Co., New York.

Diversified Inc., Amarillo, Texas
Jan. 6 filed 300,000 shares of common stock (par 50 cents). Price—$3 per share. Proceeds—For acquisition of undeveloped real estate, for organization or acquisition of consumer finance business, and balance to be used for working capital. Underwriter — Investment Service Co., Denver, Colo., on a best efforts basis.

Drexelbrook Associates
May 22 filed $2,000,000 of partnership interests, to be offered in units. **Price**—$10,000 per unit. **Proceeds**—To be used for various acquisitions. **Office** — Broad & Chestnut Streets, Philadelphia, Pa. **Underwriter**—None.

★ Eagle Food Centers, Inc. (8/18)
July 23 filed 188,500 shares of common stock (par $2.50), of which 20,000 shares are being offered initially by the company to employees. Any of such shares not purchased by employees and the remaining 168,500 shares are being purchased by the underwriters, 28,500 from stockholders and 160,000 shares from the company. **Price**—To be supplied by amendment. **Proceeds**—To redeem all of the preferred stock of a subsidiary, to pay off outstanding 6% subordinated notes, to purchase equipment in four stores leased from G. & W. Realty, Inc., to pay off chattel mortgages on equipment in five other stores, and for additional working capital. **Office**—Milan, Ill. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

Edwards Steel Corp., Miami, Fla. (8/3-7)
July 8 filed 140,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—To repay loans, to acquire property and equipment, and for working capital. **Underwriter**—Charles Plohn & Co., New York.

Electric City Supply Co.
April 6 (letter of notification) 300,000 shares of class A common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For inventory, equipment, working capital, etc. **Office**—901 S. Lake Street, Farmington, N. Mex. **Underwriter**—Investment Service Co., Denver, Colo.

Electronic Data Processing Center, Inc., Portland, Ore. (8/5)
June 29 (letter of notification) 17,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To pay an eight-year lease of electronic machines, installation charges and working capital. **Underwriters** — Zilka, Smither & Co., Inc. and Camp & Co., both of Portland, Oregon.

● Elion Instruments, Inc. (7/30)
June 26 (letter of notification) 100,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—To purchase equipment and for working capital. **Office**—Bristol, Pa. **Underwriter**—Harrison & Co., Philadelphia, Pa.

Emerite Corp.
Jan. 19 (letter of notification) 250,000 shares of series 3 common stock (no par) to be offered for subscription by stockholders on the basis of one share of series 3 stock for each three shares of series 1 and/or series 2 common stock held; unsubscribed shares to other stockholders. Rights expire 30 days from offering date Price—$1 per share. Proceeds—For working capital. Office—333 S. Farish Street, Jackson, Miss. Underwriter—None.

Emery Industries, Inc.
May 21 filed $6,103,700 of 4¾% convertible subordinated debentures due July 1, 1979, being offered for subscription by common stockholders of record June 5, 1959, at the rate of $100 of debentures for each eight shares of common stock then held; rights to expire on July 31. **Price**—At par. **Proceeds**—To repay outstanding bank loans and for general corporate purposes. **Office**—Carew Tower, Cincinnati, Ohio. **Underwriter**—None.

Entron, Inc. (8/26)
July 13 filed 200,000 shares of common stock. **Price**—$5 per share. **Proceeds**—For purchase of machinery and equipment and for interim financing of coaxial cable television transmission systems. **Office**—4902 Lawrence St., Bladensburg, Md. **Underwriter**—Alkow & Co., Inc., New York.

Equity Annuity Life Insurance Co.
April 21 filed $1,000,000 of Variable Annuity Policies. **Price**—No less than $120 a year for annual premium contracts and no less than $1,500 for single premium contracts. **Proceeds**—For investment, etc. **Office**—2480 16th Street, N. W., Washington, D. C. **Underwriter**—None.

Equity General Corp.
June 29 filed together with Development Corp. of America, registration statements seeking registration of securities, as follows: Equity General, 500,000 shares of common stock and 149,478 shares of preferred stock; and Development Corp., 500,000 shares of common stock. The Equity Corp. is the owner of 5,343,220 shares of Equity General common stock and proposes to offer 500,000 of such shares to the holders of Equity common in exchange therefor, on a one-for-one basis. Equity General is the owner of 2,399,504 shares of Development Corp. common and proposes to offer 500,000 of such shares to the holders of Equity General common in exchange therefor, on a one-for-one basis. The Board of Directors of Equity General has authorized the issuance of a maximum of 149,478 shares of Equity General preferred stock in exchange for shares of preferred stock of Development Corp., on the basis of one share of Equity General preferred for two shares of Development Corp. preferred. **Office**—103 Park Ave., New York City.

Executone, Inc. (8/24-28)
July 15 filed 136,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes, including additional working capital and the reduction of outstanding indebtedness. **Office**—415 Lexington Avenue, New York. **Underwriter** — Shearson, Hammill & Co., New York.

Extrudo-Film Corp. (8/3-4)
July 2 filed 175,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For purchase of machinery and equipment for the Pottsville plant, to pay the principal on a 5% note due Sept. 1, 1960, and the balance will be added to the company's general funds and will be available for general corporate purposes. **Office**—36-35 36th Street, Long Island City, N. Y. **Underwriter**—Maltz, Greenward & Co., New York.

Faradyne Electronics Corp., Newark, N. J. (8/5)
June 23 filed 220,000 shares of common stock (par five cents). **Price**—$6 per share. **Proceeds**—To be used for purchase and construction of machinery and equipment. **Underwriters**—Charles Plohn & Co. and Netherlands Securities Co., Inc., both of New York.

★ Federated Investors, Inc.
July 16 filed 42,000 shares of class B common stock (par value 5c) to be sold for the account of the issuing company, and 21,000 shares of the same stock to be sold for the account of Federated Plans, Inc. **Price**—$4.75 per share. **Proceeds**—For advertising, training, printing, and working capital. **Office**—719 Liberty Ave., Pittsburgh, Pa. **Underwriter**—Hecker & Co., Phila., Pa.

Fidelity Investment Corp., Phoenix, Ariz.
June 29 filed 1,799,186 shares of class A common stock, of which 1,700,000 shares are to be offered publicly, and the remaining 99,186 shares have been subscribed for in consideration for services rendered in organizing the company as an incentive to management. The company has agreed to issue to the organizers 200,000 shares of class B common stock; and 100,000 class B shares have been set aside for issuance to keep personnel other than the organizers. **Price**—To public, $3 per share. **Proceeds**—To be applied to pay interest due on properties and to pruchase new properties and for working capital. **Underwriter**—None.

★ Financial Industrial Income Fund, Inc.
July 22 filed 1,000,000 shares of common capital stock. **Price**—At market. **Proceeds**—For investment. **Office**—950 Broadway, Denver, Colo. **General Distributor**—FIF Management Corp., Denver, Colo.

★ Flame Heat Treating, Inc.
July 21 (letter of notification) 3,965 shares of common stock to be offered for subscription by stockholders of record July 24, 1959. Stockholders other than directors and officers are given the right to purchase 1.3 additional shares for each share owned prior to August, 1959. **Price**—At par ($10 per share). **Proceeds**—For equipment and working capital. **Office**—3625 Hampshire Avenue, South, St. Louis Park, Minn. **Underwriter**—None.

Florida Water & Utilities Co., Miami, Fla. (8/12)
July 8 filed 86,000 shares of common stock, of which 65,000 shares are to be offered for public sale for the account of the company and 21,000 shares for the account of two selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To be used to reduce indebtedness and increase working capital. **Underwriter**—Beil & Hough, Inc., St. Petersburg, Fla.

Fortuna Corp.
July 21 filed 1,000,000 shares of common stock. **Price**—$1.50 per share. **Proceeds**—To complete race plant and for general corporate purposes. **Office** — Albuquerque, N. M. **Underwriter**—Minor, Mee & Co., Albuquerque, N. M.

Foto-Video Laboratories, Inc. (9/1-4)
July 15 filed 150,000 shares of class B common stock (par 10 cents). **Price** — $2 per share. **Proceeds** — For general corporate purposes, including the repaying of bank loans, the purchase of new equipment, and for working capital. **Office** — 36 Commerce Road, Cedar Grove, N. J. **Underwriter** — Arnold Malkan & Co., New York.

Foundation Balanced Fund, Inc.
June 18 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—418 Union St., Nashville, Tenn. **Investment Adviser**—J. C. Bradford & Co., Nashville, Tenn. **Distributor**—Capital Planning Services, Inc.

Foundation Stock Fund, Inc.
June 18 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—418 Union St., Nashville, Tenn. **Investment Adviser**— J. C. Bradford & Co., Nashville, Tenn. **Distributor**—Capital Planning Services, Inc.

• Futterman-Dupont Hotel Co.
May 22 filed $1,706,900 of Limited Partnership Interests, to be offered in units. **Price**—$25,000 per unit. **Proceeds**—To repay monies borrowed for the purpose of closing title and paying incidental expenses in acquiring the Dumont Plaza Hotel in Washington, D. C. **Office**—580 Fifth Avenue, New York, N. Y. **Underwriter** — None. Statement effective July 16.

Gabriel Co. (8/5)
July 8 filed $2,500,000 of subordinated sinking fund debentures, due June 30, 1974, with warrants for the purchase of 20 common shares for each $1,000 of debentures. **Price**—100% of principal amount of the debentures. **Interest Rate**—To be determined by amendment. **Proceeds**—For capital investment. **Office**—1148 Euclid Avenue, Cleveland, Ohio. **Underwriters**—Prescott, Shepard & Co., Inc., Cleveland, and Carl M. Loeb, Rhoades & Co., New York.

★ General Aquamatics Corp.
July 20 (letter of notification) $100,000 of 6% first mortgage six-year convertible debentures. **Price**—At par (in denominations of $500 each). **Proceeds** — For loans, equipment and working capital. **Office**—245—4th Street Building, Room 409, Bremerton, Wash. **Underwriter**—None.

★ General Magnaplate Corp. (8/20)
July 9 (letter of notification) 75,000 shares of common stock (par 50 cents). **Price**—$4 per share. **Proceeds**—For expansion of plant facilities and working caiptal. **Office**—331 Main St., Belleville, N. J. **Underwriters**—Robert L. Ferman & Co., Inc., Miami, Fla. and Casper Rogers Co., New York, N. Y.

General Merchandising Corp., Memphis, Tenn.
Feb. 18 filed 250,000 shares of class "A" common stock (par one cent). **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — Union Securities Investment Co., Memphis, Tenn. Statement effective April 24.

• General Time Corp.
July 8 filed $6,260,700 of convertible subordinated debentures due 1979 to be offered for subscription by common stockholders at the rate of $100 of debentures for each eight shares of stock held. Record date about Aug. 6, 1959; rights to expire Aug. 24, 1959. **Price**—To be supplied by amendment. **Proceeds**—To be added to the general funds of the company and be used primarily to finance electric transactor system developed by its Stromberg division. **Underwriter** — Kidder, Peabody & Co., New York.

General Underwriters Inc.
April 6 (letter of notification) 225,000 shares of common capital stock (par 25 cents). Of the total, 195,000 shares are to be offered for the account of the company and 30,000 shares for a selling stockholder. **Price**—$1 per share. **Proceeds**—For furniture inventory and improved merchandising methods, to finance the real estate department and insurance policy loans. **Office**—211-215 Pine St., Pine Bluff, Ark. **Underwriter**—Lovan Securities Co., Inc., Pine Bluff, Ark.

★ Georgia-Bonded Fibers, Inc.
July 10 (letter of notification) 100,000 shares of class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—15 Nuttman St., Newark, N. J. and Buena Vista, Va. **Underwriter**—Sandkuhl & Co., Inc.

• Georgia International Life Insurance Co. (8/11)
June 30 filed 1,665,000 shares of common stock (par $2.50). **Price**—$5 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—The Robinson-Humphrey Co., Inc., Atlanta, Ga., and The Johnson Lane, Space Corp., Atlanta, Ga.

★ Gestetner Ltd. of England
July 27 filed American depositary receipts for 80,000 shares of ordinary registered stock. **Depositary**—Guaranty Trust Co. of New York, 140 Broadway, New York, New York.

★ Gibbs & Hill, Inc.
June 23 (letter of notification) 3,500 shares of common stock (par $5). **Price**—$39.20 per share. **Proceeds**—For working capital. **Office**—Pennsylvania Station, New York 1, N. Y. **Underwriter**—None.

★ Glens Falls Insurance Co.
June 29 (letter of notification) 8,955 shares of capitall stock to be offered for subscription by stockholders pursuant to its Employee Stock Purchase Plan. **Office**—291 Glen Street, Glens Falls, N. Y. **Underwriter**—None.

Gold Medal Packing Corp.
June 18 filed 572,500 shares of common stock (par one cent), and 50,000 common stock purchase warrants. Of the shares 400,000 will be sold for the account of the company; 110,000 by certain stockholders; 12,500 for the underwriter; and the remaining 50,000 shares are purchasable upon exercise of the warrants. **Price**—$1.25 per share. **Proceeds**—For repayment of debt; purchase of equipment and facilities and other general corporate purposes. **Office**—614 Broad St., Utica, N. Y. **Underwriter**—Mortimer B. Burnside & Co., New York. **Name Change**—Formerly Eastern Packing Corp.

• Government Employees Variable Annuity Life Insurance Co.
Nov. 13 filed 2,500,000 shares of common stock (par $1) to be offered by company viz: (1) to holders of common stock (par $4) of Government Employees Insurance Co., on the basis of one warrant per share of stock held (1,334,570 shares are now outstanding); (2) to holders of common stock (par $1.50) of Government Employees Life Insurance Co., on the basis of 1½ warrants per share of stock held (216,429 shares are now outstanding); and (3) to holders of common stock (par $5) of Government Employees Corp., on the basis of ½ warrant per share of stock held (as of Dec. 31, 1958 there were 143,703 shares of stock outstanding and $589,640 of 5% convertible capital debentures due 1967, convertible into shares of common at $28.0374 per share. If all these debentures were converted into common stock prior to the record date, a total of 164,733 common shares would be outstanding. **Price**—$3 per share. **Proceeds**—For capital and surplus. **Office**—Government Employees Insurance Bldg., Washington, D. C. **Underwriters** — Johnston, Lemon & Co., Washington, D. C.; Eastman Dillon, Union Securities & Co., New York; and Abacus Fund, Boston, Mass. **Offering**—Expected in October.

★ Graphic Controls Corp.
July 2 (letter of notification) 6,944 shares of class A stock (par $5). **Price**—$7.20 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—189 Van Rensselaer St., Buffalo, N. Y. **Underwriter**—None.

★ Greek Voice of America, Inc.
July 9 (letter of notification) 300,000 shares of class B capital stock (par one cent). **Price**—$1 per share. **Proceeds**—For production and publicity of Greek language radio and television programs and manufacture; distribution and promotion of Greek language records. **Office** — 401 Broadway, New York, N. Y. **Underwriter** — Karen Securities Corp., 95 Broad St., New York, N. Y.

Great Western Life Insurance Co. (8/28)
June 29 filed 500,000 shares of common stock and options to purchase 200,000 additional shares of outstanding stock, to be offered in units, each consisting of five shares of common stock and an option to purchase two additional shares, the units to be offered for subscription by holders of the 1,500,000 outstanding common shares at the rate of one unit for each 15 shares held on or about Aug. 28, 1959; rights to expire on or about Sept. 28, 1959. The options evidence the right to purchase the 200,000 outstanding shares owned by Great Western Building & Loan Corp. **Price**—To be supplied by amendment. **Proceeds**—For loan to the subsidiary (Great Western Building & Loan Corp.); and the balance will be used to increase capital and surplus. **Office**—101-111 N. W. Second St., Oklahoma City, Okla. **Underwriters**—G. J. Mitchell, Jr. Co., Washington, D. C.; and Purvis & Co., Denver, Colo.

Growth Fund of America, Inc.
Feb. 4 filed 250,000 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—For investment. **Office** — 1825 Connecticut Avenue, Washington, D. C. **Investment Advisor** — Investment Advisory Service, Washington, D. C. **Underwriter**—Investment Management Associates, Inc., Washington, D. C.

★ Hamilton Funds, Inc.
July 22 filed additional securities as follows: 4,000,000 Hamilton Fund Shares, Series H-C7 and a like number of H-DA Series shares and $200,000,000 Hamilton Fund Periodic Investment Certificates. **Proceeds**—For investment. **Office**—Denver, Colo.

• Hancock (J. W.) Inc.
June 25 filed 200,000 shares of 6% cumulative convertible preferred stock (par $2) and 100,000 shares of common stock (par 10 cents). The company proposes to offer 200,000 preferred shares and 50,000 shares of the common in units consisting of 4 shares of preferred and one share of common. **Price**—$8.50 per unit. The remaining 50,000 shares of common stock are to be offered to holders of outstanding 4% subordinated debentures at the rate of one share for each 50c face amount of such debentures surrendered for cancellation. **Proceeds**—To be used for working capital and general corporate purposes. **Underwriters**—Kenneth Kass, Nassau Securities Service and David Barnes & Co., Inc., all of New York; and Palin Securities, West Orange, N. J.

Hathaway Industries, Inc.
June 9 filed 300,000 outstanding shares of common stock. These shares are part of the 672,990 shares (53.43%) held by Seaboard Allied Milling Corp. Seaboard plans to offer 100,000 shares for sale to the business associates and employees of Hathaway Industries at $6 per share. In addition, Seaboard may wish to sell publicly the remaining 200,000 shares, or a portion thereof, on the American Stock Exchange, or otherwise, at prices current at the time of such sales. **Proceeds**—To selling stockholder, Seaboard Allied Milling Corp. **Office**—Hathaway St., Syracuse, N. Y. **Underwriter**—None.

Heartland Development Corp.
June 24 filed 22,820 shares of 5% convertible preference stock (par $12). **Price**—Par. **Proceeds**—For general corporate purposes. **Office**— 40 Beaver Street, Albany, N. Y. **Underwriter**—None.

Heliogen Products, Inc.
Oct. 22, 1958 (letter of notification) 28,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For payment of past due accounts and loans and general working capital. **Office**—35-10 Astoria Blvd., L. I. C. 3, N. Y. **Underwriter**—Albion Securities Co., 11 Broadway, New York 4, N. Y. **Offering**—Expected in September.

Hemisphere Gas & Oil Corp.
April 27 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development of oil and gas properties. **Office**—702 American Bank Building, Portland 5, Ore. **Underwriter**—D. Earle Hensley Co., Inc., 4444 California Avenue, Seattle, Wash.

Hewlett-Packard Co.
July 21 filed $1,000,000 of Interests In Employee Stock Purchase Plans, together with 25,000 shares of capital stock which may be purchased pursuant thereto **Office**—Palo Alto, Calif.

Hexcel Products, Inc. (8/4)
June 26 filed 50,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Office**—Berkeley, Calif. **Underwriter**—F. S. Smithers & Co., San Francisco and New York.

Hickerson Bros. Truck Co., Inc. (7/30)
March 11 (letter of notification) 285,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay existing liabilities; for additional equipment; and for working capital. **Office**—East Tenth Street, P. O. Box 68, Great Bend, Kan. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Highway Trailer Industries, Inc.
June 9 filed 1,105,294 shares of common stock to be offered for subscription by present stockholders at the rate of one new share for each two shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To be used for new equipment and plant improvement; to be used for inventory and production requirements of the Hazleton, Pa., plant and the increased production of the Edgerton, Wis., plant; and for discharge of bank loan and other corporate purposes. **Office**—250 Park Ave., New York, N. Y. **Agents**—Van Alstyne, Noel & Co., of New York.

• Hofman Laboratories, Inc. (8/12)
June 12 (letter of notification) 50,000 shares of common stock (par 25 cents). **Price**—$6 per share. **Proceeds**—To retire a loan from Hillside National Bank and for general corporate purposes. **Office** — 5 Evans Terminal, Hillside, N. J. **Underwriter**—Myron A. Lomasney & Co., New York, N. Y.

Honolulu Construction & Draying Co., Ltd.
June 16 filed 25,000 shares of common stock, to be offered for subscription by stockholders of record April 30, 1959, on the basis of one new share for each five shares then held. Rights to expire on or about July 30. **Price**—$40 per share. **Proceeds**—To be applied to repayment of bank loans and for company's capital expenditure program and investment. **Office**—Honolulu, Hawaii. **Underwriter**—None.

Horizon Land Corp. (8/3-7)
July 1 filed 300,000 shares of common stock (par 1¢). **Price**—$1 per share. **Proceeds**—For land acquisitions, working capital, and general corporate purposes. **Office**—Arizona Land Title Bldg., Tucson, Arizona. **Underwriter**—Ross, Lyon & Co., Inc., New York.

Hotel Corp. of Israel
July 13 filed 39,000 shares of common stock (par $5) and $1,560,000 of 6% subordinated debentures, due Aug. 1, 1974. **Price**—$1,500 per unit, consisting of 30 common shares at $10 per share and $1,200 of debentures at par. **Proceeds**—To purchase, complete, and furnish various properties and for general corporate purposes. **Office**—11 South La Salle St., Chicago, Ill. **Underwriter**—None.

★ Houston Lighting & Power Co. (8/19)
July 23 filed $25,000,000 of first mortgage bonds due 1989. **Proceeds**—To repay the major portion of the company's outstanding short-term bank loans, which were incurred to finance the company's construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Eastman Dillon, Union Securities & Co. and Salomon Brothers & Hutzler (jointly); Blyth & Co., Inc.; Lazard Freres & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and Equitable Securities Corp. (jointly). **Bids**—Expected to be received up to noon (EDT) on Aug. 19.

Hudson Radio & Television Corp. (8/3-7)
June 8 filed 200,000 shares of capital stock, of which 125,000 shares are to be offered for the account of the company and 75,000 shares for the account of a selling stockholder. **Price**—$5 per share. **Proceeds**—To be utilized in reduction of obligations, the acquisition and/or development of additional inventory lines, warehousing facilities and sales outlets; the adoption of various sales promotional programs, and as additional working capital. **Office**—37 West 65th St., New York, N. Y. **Underwriter**—J. A. Winston & Co., Inc. and Netherlands Securities Co., Inc.

Hugh W. Long & Co., Inc. (8/10-14)
July 15 filed 280,000 shares of outstanding class B common stock (par 50 cents). **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—Elizabeth, N. J. **Underwriter** — Clark, Dodge & Co., New York.

I C Inc. (8/28)
June 29 filed 600,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—To further the corporate purposes and in the preparation of the concentrate and enfranchising of bottlers, the local and national promotion and advertising of its beverages, and where necessary to make loans to such bottlers, etc. **Office**—704 Equitable Bldg., Denver, Colo. **Underwriters**— Purvis & Co. and Amos C. Sudler & Co., both of Denver, Colo.

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Independent Telephone Corp.
June 29 filed 13,080 shares of 5% cumulative convertible preferred stock, series A ($10 par), and 806,793 shares of common stock, together with warrants for the purchase of 50,000 common shares. According to the prospectus, 80,000 common shares are to be offered to nine payees of non-assignable convertible notes outstanding in the amount of $500,000 for conversion of such notes into common shares at a conversion price of $6.25 per share. The 13,080 preferred shares and 8,175 common shares are to be offered in exchange for the outstanding 327 shares of common stock of Farmers Union Telephone Co., a New Jersey corporation, on the basis of 40 shares of preferred and 25 shares of common for each share of common capital stock of Farmers Union. The issuing company further proposes to offer 96,604 common shares to holders of its outstanding stock of record June 30, 1959, for subscription at $6.25 per share on the basis of one new share for each two shares then held. **Proceeds**—For working capital. **Office**—25 South St., Dryden, N. Y. **Underwriter**—None.

● **Industrial Plywood Co., Inc., Jamaica, N. Y.**
June 25 filed 60,000 shares of 6% cumulative preferred stock ($10 par—convertible until Aug. 31, 1969), with common stock purchase warrants. Each share of preferred will have one "A" and one "B" warrant attached, entitling the holder to purchase one share of common (for each two "A" warrants) at $12 per share, expiring June 30, 1961; and for each two "B" warrants held at $14 per share, expiring June 30, 1961. **Price** — $10 per share. **Proceeds**—Toward reduction of short-term bank loans; to liquidate long-term debt; and the balance for additional working capital. **Underwriters** — Standard Securities Corp., Irving Weis & Co., and J. A. Winston & Co., Inc., all of New York; Bruno-Lenchner Inc., Pittsburgh, Pa.; Netherlands Securities Co., Inc., New York: and Plymouth Bond & Share Corp., Miami, Fla. **Offering**—Expected in two or three weeks.

★ **Infrared Industries, Inc.**
July 30 filed 100,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Office**—Waltham, Mass. **Underwriter**—Lehman Brothers, New York.

International Bank, Washington, D. C.
Dec. 29 filed $5,000,000 of notes (series B, $500,000, two-year, 3% per unit; series C, $1,000,000, four-year 4% per unit; and series D, $3,500,000, 6-year, 5% per unit). **Price**—100% of principal amount. **Proceeds — For working capital. Underwriter**—Johnston, Lemon & Co., Washington, D. C. **Offering**—Indefinitely postponed.

International Railroads Weighing Corp.
April 16 (letter of notification) 82,626 shares of common stock (par $1) being offered for subscription by common stockholders at rate of one new share for each four shares held on June 1, 1959. Rights expire on Aug. 14, 1959. **Price**—$3 per share. **Proceeds**—For research and development costs and working capital. **Office**—415 Spruce St., Hammond, Ind. **Underwriter**—None.

International Tuna Corp. (8/12)
April 3 (letter of notification) 175,000 shares of class A common stock (par 50 cents). **Price** — $1 per share. **Proceeds**—For equipment and working capital. **Office**—Pascagoula, Miss. **Underwriter**—Gates, Carter & Co. Gulfport, Miss.

★ **Inter-State Acceptance Corp.**
July 22 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For advertising, equipment and working capital. **Office**—799 N. W. 62nd Street, Miami, Fla. **Underwriter**—None.

Interstate Life & Accident Insurance Co. (8/3-17)
June 26 filed 350,000 outstanding shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—540 McCallie Ave., Chattanooga, Tenn. **Underwriter**—Equitable Securities Corp., Nashville and New York.

Investors Funding Corp. of New York
Feb. 17 filed $500,000 of 10% subordinated debentures due July 31, 1964, to be offered in units of $1,000. **Price**—At 100% of principal amount. **Proceeds**—For investment. **Office**—511 Fifth Ave., New York, N. Y. **Underwriter**—None.

Irando Oil & Exploration, Ltd.
April 24 filed 225,000 shares of common stock. **Price**—90 cents per share. **Proceeds**—To defray the costs of exploration and development of properties and for the acquisition of other properties; also for other corporate purposes. **Office**—1950 Broad St., Regina, Sask., Can. **Underwriter** — Laird & Rumball, Regina, Sask., Can.

Jamaica Development Co., Inc.
June 15 filed 105,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To be used for the purchase of land, cattle, machinery and equipment, fishing lodge, and development expense. **Office** — 1841 North Meridian St., Indianapolis, Ind. **Underwriter**—None.

Jefferson Wire & Cable Corp. (8/5)
May 27 filed 100,000 shares of common stock (no par). **Price**—$3.75 per share. **Proceeds** — To pay off various indebtedness, for purchase of machinery, equipment and raw materials, for plant facilities, for sales promotion, and for working capital. **Office**—Sutton, Mass. **Underwriters**—Charles Plohn & Co. and Netherlands Securities Co., Inc., both of New York.

Kaiser Aluminum & Chemical Corp.
May 11 filed 64,028 shares of 4¾% cumulative convertible (1959 series) preference stock (par $100) and 128,651 shares of common stock (par 33⅓ cents) issued in exchange for the outstanding stock of Mexico Refractories Co. through merger. **Proceeds**—To selling stockholders. **Underwriter**—None. Statement effective June 5.

★ **Kerr Income Fund, Inc.**
July 24 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Office**—Los Angeles, Calif.

Kilroy (W. S.) 1960 Co.
June 8 filed $3,500,000 of Participating Interests under Participant Agreements in the company's 1960 Oil and Gas Exploration Program, to be offered in amounts of $25,000 or more. **Proceeds**—Acquisition of undeveloped oil and gas properties. **Office**—2306 Bank of the Southwest Bldg., Houston Texas. **Underwriter**—None.

● **Kinsman Manufacturing Co., Inc.**
July 16 (letter of notification) $200,000 of 6¼% convertible subordinated debentures due April 1, 1974. **Price**—At face amount. Each $1,000 debenture convertible into 700 shares of common stock at $1.42 6/7 per share. **Proceeds**—For working capital. **Office**—54 Mill St., Laconia, N. H. **Underwriter**—Tucker, Anthony & R. L. Day, Boston, Mass. Issue was placed privately.

★ **Lenahan Aluminum Window Corp.**
July 28 filed 157,494 shares of common stock, to be offered initially to stockholders on the basis of one new share for each two shares owned as of the record date. Unsubscribed shares will be offered to the public. **Price**—$4 per share. **Proceeds**—For inventory and for working capital. **Office**—Jacksonville, Fla. **Underwriter**—Plymouth Bond & Share Corp., Miami, Fla.

Laure Exploration Co., Inc., Arnett, Okla.
April 30 filed (by amendment) 2,000,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For machinery and equipment and exploration purposes. **Underwriter**—None.

La Voz Publishing Co.
June 16 (letter of notification) 2,000 shares of class A common stock. **Price**—At par. **Proceeds**—For expenses for promotion and publication of the newspaper "La Voz." **Office**—1831 Wallace St., Philadelphia, Pa. **Underwriter**—None.

Lease Plan International Corp. (8/12)
July 10 filed 140,000 shares of common stock (par $1), of which 70,000 shares will be sold for the company's account and 70,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—The company will use its share of the proceeds to increase working capital. **Office**— 7 Central Park West, New York. **Underwriter**—Hayden, Stone & Co., New York.

● **Leeds Travelwear, Inc.**
July 21 filed 262,500 shares of class A common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To reduce indebtedness and for general corporate purposes. **Office**—New York City. **Underwriter**—Auchincloss, Parker & Redpath, New York.

● **Lieco Inc. (8/6)**
June 12 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For machinery and laboratory equipment; for consolidation of operations in one plant; for retirement of corporate debts and for working capital. **Office**—47 Bergen St., Brooklyn, N. Y. **Underwriter**—Netherlands Securities Co., Inc., and J. A. Winston & Co., Inc., New York, N. Y.

Lifetime Pools Equipment Corp., Renovo, Pa.
June 1 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For purchase of machinery and equipment; advertising and working capital. **Underwriter**—First Washington Corp., Pittsburgh, Pa.

Loomis-Sayles Fund of Canada Ltd.
July 6 filed 800,000 shares of common stock, to be offered initially at $25 per share through Loomis, Sayles & Co., Inc., to clients, officers, directors and employees of the latter. The shares also are to be offered to shareholders of Loomis-Sayles Mutual Fund, Inc., of record July 15, 1959. After July 31, 1959, the offering price will be net asset value. After Sept. 15, 1959, shares will be offered only to shareholders of Loomis, Sayles & Co., Inc., and its affiliated companies. **Proceeds**—For investment.

Lumberman's Acceptance Co.
July 13 (letter of notification) 2,000 shares of $7.20 preferred cumulative series A common stock. **Price** — At par ($100 per share). **Proceeds** — For working capital. **Office**—306 Mendocino Ave., Santa Rosa, Calif. **Underwriter**—None.

● **Magnuson Properties, Inc. (8/12)**
June 26 filed 500,000 shares of class A common stock. **Price**—To be supplied by amendment. **Proceeds**—$443,071 is to be expended during the period ending Aug. 31, 1960, for mortgage payments and releases; $465,000 will be paid on notes acquired by members of the Magnuson family in the transfers of subsidiaries and properties to the company; $350,000 will be used to pay off an existing loan secured by a mortgage on the Florida Shores properties in Edgewater, Fla., and an assignment of a lot contract receivable; about $150,000 for the construction of the first four stories of the company's proposed office building in Miami (the balance estimated at $150,000 will be secured by a mortgage on the building), and $93,200 to close certain options and purchase contracts covering lands in the Melbourne-Cape Canaveral area. The balance will be added to the company's general funds and will be available, together with funds received from payments on lot sales, principally for the development of the Palm Shores properties (at Eau Gallie) and for further acquisitions, and for use as working capital. **Office**—20 S. E. 3rd Ave., Miami, Fla. **Underwriter**—Blair & Co., Inc., New York.

Matronics, Inc. (8/26)
June 29 filed 200,000 shares of capital stock (par 10¢). **Price**—$3.75 per share. **Proceeds**—For sales promotion, production test equipment, research and development, demonstrators for special systems, receivables, inventories, prepayment of notes and other purposes. **Office**—558 Main St., Westbury, L. I., N. Y. **Underwriter**—Vermilye Brothers, New York.

Maturizer Co.
June 1 (letter of notification) $250,000 of 6% convertible subordinated debentures due July 1, 1964, and convertible into units of common stock which consist of one share of class A, voting, and three shares of class B, non-voting stock at $40 per unit. **Proceeds**—To purchase machinery and equipment and for working capital. **Address**—P. O. Box 755, Norman, Okla. **Underwriter**—None.

★ **McKesson & Robbins, Inc.**
July 24 filed $3,000,000 of participations in its Employees' Stock Purchase Plan, together with 75,000 shares of common stock which may be purchased pursuant thereto. **Office**—155 East 44th Street, New York.

Medearis Industries, Inc.
May 14 filed 200,000 shares of common stock (par 20 cents). **Price**—$3.75 per share. **Proceeds**—For general corporate purposes. **Office** — 42 Broadway, New York, N. Y. **Underwriter**—Amos Treat & Co., Inc., New York.

● **Meg Products Co., Inc.**
June 24 (letter of notification) 120,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For inventories, machinery and equipment, retire existing loan and promissory notes and additional working capital. **Office** — 3340 W. El Segundo Blvd., Hawthorne, Calif. **Underwriter**—First Angeles Corp., Beverly Hills, California. Statement has been withdrawn.

Mercantile Acceptance Corp. of California
May 15 (letter of notification) $80,000 of 12-year 5½% capital debentures. **Price**—At face amount. **Proceeds**—For working capital. **Office** — 333 Montgomery Street, San Francisco, Calif. **Underwriter**—Guardian Securities Corp., San Francisco, Calif.

Michigan Bell Telephone Co. (8/11)
July 21 filed $30,000,000 of 35-year debentures, due Aug. 1, 1994, to be offered for public sale at competitive bidding. **Price**—To be supplied by amendment. **Office**—Detroit, Mich. **Proceeds**—It is expected that about $25,000,000 of the proceeds will be used to repay advances from the American Telephone and Telegraph Co., and that the remainder will be used for general corporate purposes, including construction. **Probable bidders**—Halsey, Stuart & Co. Inc., and Morgan Stanley & Co., both of New York.

Micronaire Electro Medical Products Corp. (8/3-7)
June 1 filed 200,000 common shares (par 10 cents) and 50,000 one-year warrants for the purchase of common stock, to be offered for public sale in units of 100 shares of common stock and 25 warrants. The registration also includes an additional 200,000 three-year warrants, exercisable at $3, of which 150,000 have been issued to certain stockholders and employees. **Price**—$275 per unit. **Proceeds**—To discharge indebtedness; for expansion of sales efforts; and for working capital. **Office**—79 Madison Ave., New York. **Underwriter** — General Investing Corp., New York.

● **Microsonics, Inc. (8/4)**
July 9 (letter of notification) 61,000 shares of common stock (no par). **Price**—$2.50 per share. **Proceeds**—For additional test equipment, inventory and working capital. **Office**—Hingham Industrial Center, Hingham, Mass. **Underwriter**—Lee Co., New York, N. Y.

Microwave Electronics Corp.
July 2 filed $500,000 of 10-year 5% subordinated debentures due July 1, 1969 together with 250,000 shares of common stock (par 10 cents) to be offered in units of $10,000 principal amount of debentures and 5,000 common shares. An additional 138,000 shares may be issued in connection with the company's restricted stock option plan. **Price**—$10,500 per unit. **Proceeds**—To purchase machinery, equipment and other fixed assets, for operating expenses, and the remainder for working capital. **Office**—4061 Transport St., Palo Alto, Calif. **Underwriter**—None.

Mid-America Minerals, Inc.
June 22 filed $921,852 of Working Interests and Overriding Royalty Interests in 26 oil and gas leases covering lands in Green and Taylor Counties, Kentucky, some of the interest being producing interests and some nonproducing. The offering is to be made initially to participants in the Mid-America Minerals, Inc., 1959 Fund. **Price**—$2,221.33 per smallest unit. **Proceeds**—For investment in oil and gas lands. **Office**—Mid-America Bank Bldg., Oklahoma City, Okla. **Underwriter**—None.

★ **Military Management Corp.**
July 10 filed 25,000 shares of class A common stock (par $2). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—1424 K St., N. W., Washington, D. C. **Underwriter**—None.

M. & S. Oils Ltd.
May 11 filed 390,000 shares of capital stock. **Price**—60 cents per share. **Proceeds** — For exploration, development and acquisitions. **Office**—5 Cobbold Block, Saskatoon, Saskatchewan, Canada. **Underwriter** — Cumberland Securities Ltd., Regina, Saskatchewan, Canada.

Narda Microwave Corp. (8/3-7)
June 16 filed 50,000 shares of common stock (par 10 cents) and 50,000 warrants to be offered in units, consisting of one share of common stock with attached warrant entitling the holder to purchase one additional share. The statement also includes an additional 10,000 shares of common stock reserved for issuance to key

employees pursuant to options. **Price**—To be supplied by amendment. **Proceeds** — To be used to retire bank loans. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

National Citrus Corp.
April 20 (letter of notification) 150,000 shares of common stock. **Price**—At par ($2 per share). **Proceeds**—For new equipment, inventory and working capital. **Address**—P. O. Box 1658, Lakeland, Fla. **Underwriter**—R. F. Campeau Co., Inc., Detroit, Mich. **Offering**—Expected in August.

National Packaging Corp. (8/5)
July 10 (letter of notification) 32,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To purchase machinery and equipment, raw materials, inventory and for working capital. **Office** — 3002 Brooklyn Ave., Fort Wayne, Ind. **Underwriter**—First Securities Corp., 510 Lincoln Tower, Fort Wayne, Ind.

National Sports Centers, Inc.
July 2 filed $1,000,000 of 6% convertible income debentures cumulative due 1969, series C, and 100,000 common stock purchase warrants. **Price** — 100% of principal amount. **Proceeds**—To be used for completion of and/or payment of certain bowling alley and other properties, and the balance will be added to the company's general funds available for development of properties and the acquisition and development of additional bowling properties. **Office**—55 Broadway, New York. **Underwriter**—General Investing Corp., New York.

★ **Nationwide Auto Leasing System, Inc.**
July 16 (letter of notification) 142,500 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For financing of leased cars and for general corporate purposes. **Underwriter**—Investment Bankers of America, Inc., Washington, D. C. **Offering**—Expected during the latter part of August.

Nationwide Small Business Capital Investing Corp.
April 24 filed 500,000 shares of capital stock (par 50 cents). **Price** — $1 per share. **Proceeds** — For working capital and investments. **Office**—Hartsdale, N. Y. **Underwriter**—None.

Naylor Engineering & Research Corp.
Sept. 29 (letter of notification) 300,000 shares of cumulative voting and non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For organizational expenses and first three months' operational expenses. **Office**—1250 Wilshire Blvd., Los Angeles 17, Calif. **Underwriter**—Waldron & Co., San Francisco 4, Calif., has withdrawn as proposed underwriter.

• **Nedow Oil Tool Co.**
May 5 (letter of notification) 150,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—To acquire fishing tools for leasing; and for working capital. **Address**—P. O. Box 672, Odessa, Texas. **Underwriters**—To be designated. **Offering**—Expected in about 30 days.

New Pacific Coal & Oils Ltd.
June 11 filed 1,265,000 shares of common stock, of which 1,000,000 shares will be offered for the account of the company; 100,000 shares will be offered for the account of a selling stockholder (Albert Mining Corp. Ltd.); and the remaining 165,000 will be paid as additional compensation to brokers and dealers. **Price**—Related to the then current market price on the American Stock Exchange. **Proceeds**—To repay bank loans, for development of properties, and for general corporate purposes. **Office**—145 Yonge Street, Toronto, Canada. **Underwriter**—None.

New York Capital Fund of Canada, Ltd., Toronto (8/6)
June 30 filed 1,000,000 shares of common stock (par 34 cents). **Price**—At net asset value, plus underwriting discounts and commissions. **Proceeds**—For investment. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

• **Nord Photocopy & Business Equipment Corp. (8/19)**
July 21 filed 100,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—To reduce bank debts and for general corporate purposes. **Office**—New Hyde Park, L. I., New York. **Underwriter**—Myron A. Lomasney & Co., New York.

North American Acceptance Corp.
April 29 (letter of notification) $300,000 of 6% 10-year subordinated debentures to be offered for subscription by stockholders in denominations of $100, $500 and $1,000 each. Rights will expire July 31, 1959. **Price**—At par. **Proceeds**—For working capital. **Office**—Suite 487, 795 Peachtree Street, N. E., Atlanta, Ga. **Underwriter**—None.

• **North Hills Electric Co., Inc. (7/30)**
July 1 (letter of notification) 150,000 shares of common stock (par one cent) to be offered on an all or none basis. **Price**—$2 per share. **Proceeds**—To pay bank loans, redeem outstanding preferred stock, purchase additional equipment, build inventories and add to working capital. **Office**—402 Sagamore Ave., Mineola, L. I., N. Y. **Underwriter**—D. F. Bernheimer & Co., Inc., New York.

Northern States Power Co.
June 9 filed 952,033 shares of common stock being offered for subscription by common stockholders of record July 23 on the basis of one new share for each 15 shares held; rights to expire on Aug. 11, 1959. **Price**—$22 per share. **Proceeds** — For construction program expenditures, including the payment of any then existing bank loans (estimated at $14,000,000). **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, Inc.

★ **Northfield Precision Instrument Corp.**
July 10 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—4400 Austin Blvd., Island Park, L. I., N. Y. **Underwriter**—Robert Edelstein Co., New York, N. Y.

• **Northwest Defense Minerals, Inc., Keystone, S. Dak. (8/5)**
May 4 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploring and recovering strategic metals and producing same. **Underwriter**—Caldwell Co., 26 Broadway, New York, N. Y.

★ **Oak Valley Water Co.**
June 30 (letter of notification) $145,000 of 5½% first mortgage bonds series of 1958. **Price**—At par. **Proceeds**—To repay to Oak Valley, Inc. a portion of the cost of construction of sewerage collection and disposal system and to pay the costs and expenses of financing. **Office**—330 Main St., Mantua, N. J. **Underwriter**—Bache & Co., New York, N. Y. **Offering**—Expected in August.

★ **Oak Valley Water Co.**
June 30 (letter of notification) $125,000 of 5½% first mortgage bonds series of 1958. **Price**—At par. **Proceeds**—To repay Oak Valley, Inc. a portion of the cost of construction of the water supply and distribution system; to pay the cost of a new 12 inch well to increase the company's supply of water; and to pay the costs and expenses of financing. **Office**—330 Main St., Mantua, N. J. **Underwriter** — Bache & Co., New York, N. Y. **Offering**—Expected in August.

Oil, Gas & Minerals, Inc.
April 2 filed 260,000 shares of common stock (par 35 cents. **Price**—$2 per share. **Proceeds**—To retire bank loans and for investment purposes. **Office**—513 International Trade Mart, New Orleans, La. **Underwriter** — Lindsay Securities Corp., New Orleans, La.

Olson Construction Co.
July 29 (letter of notification) $300,000 of 6% subordinated coupon debentures due July 1, 1964 to be offered in denominations of $1,000 each. **Price**—At face amount. **Proceeds** — For working capital. **Office** — 410 S. 7th Street, Lincoln, Neb. **Underwriter** — Ellis, Holyoke & Co., Lincoln, Neb.

• **Oreclone Concentrating Corp., New York, N. Y.**
May 20 filed 200,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds** — For repayment of outstanding obligations and for working capital. **Underwriter**—Investment Bankers of America, Inc., Washington, D. C. **Offering**—Expected any day.

Owens Yacht Co., Inc. (8/7)
July 2 filed 300,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Office**—Stansbury Road, Dundalk, Baltimore, Md. **Underwriter**—Shields & Co., New York.

Pacific Power & Light Co. (8/5)
July 7 filed $10,996,000 of covertible debentures, to be offered on the basis of $100 principal amount of debentures for each 40 shares of common stock held of record Aug. 5, 1959; rights to expire on or about Aug. 25, 1959. **Proceeds**—For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., White, Weld & Co. and Smith, Barney & Co. (jointly); Ladenburg, Thalmann & Co.; Lehman Brothers, Bear Stearns & Co., Eastman Dillon, Union Securities & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly). **Bids**—Expected to be received on Aug. 5.

• **Pall Corp.**
June 25 filed $750,000 of 5½% subordinated convertible debentures, due July 1, 1974, and 40,000 outstanding shares of class A stock. The 40,000 shares of class A stock ($1 par) will be sold for the account of certain selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—To liquidate short-term bank loans; to retire $115,000 of 7½% debenture bonds and $15,000 of 8% debenture bonds; to be applied to repayment of loans owing to principal stockholders on open account; chattel mortgages on machinery will be retired; and for working capital. **Office**—30 Sea Cliff Ave., Glen Cove, L. I., N. Y. **Underwriters** — L. F. Rothschild & Co., Paine, Webber, Jackson & Curtis, and Hayden, Stone & Co., all of New York.

• **Pan American World Airways, Inc. (7/29)**
June 29 filed $46,962,100 of 4⅞% convertible subordinated debentures due 1979, being offered to stockholders on a basis of $100 of debentures for each 14 shares of capital stock held on July 29, 1959; rights to exipre on Aug. 12. **Price**—100% of principal amount. **Proceeds**—To be used as an addition to working capital, or as a portion of the funds required in connection with the acquisition of jet-powered aircraft, including all cargo aircraft and related flight and ground equipment, or both. **Underwriters** — Lehman Brothers and Hornblower & Weeks, both of New York.

Participating Annuity Life Insurance Co.
June 4 filed $2,000,000 of variable annuity policies. **Proceeds** — For investment. **Office** — Hathcock Building, Fayetteville, Ark. **Underwriter**—None.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1) **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Pennsylvania Electric Co. (8/4)
June 15 filed $15,000,000 of first mortgage bonds due Aug. 1, 1989. **Proceeds** — Will be applied to repayment of short-term bank loans incurred for construction purposes, and for 1959 construction expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., Merrill Lynch, Pierce, Fenner & Smith, Inc. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc. and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 4 at the offices of General Public Utilities Corp., 67 Broad St., New York 4, N. Y.

Petrosur Oil Corp. (9/15)
July 15 filed 100,000 shares of common stock (par 10 cents) and 100,000 shares of 6% cumulative convertible preferred stock (par $5). **Price**—$6.20 per unit, each unit consisting of one share of common at $5 and one share of preferred at $1.20. **Proceeds**—From the sale of the common stock to Petrosur for working interests in oil and gas leases; from the sale of the preferred stock to Creole Explorations, Inc., the selling stockholder. **Office**—161 E. 42nd Street, New York. **Underwriters**—Simmons & Co., and Michael Horowitz, both of New York.

Philippine Oil Development Co., Inc.
April 10 filed 221,883,614 shares of capital stock, being offered for subscription by holders of outstanding stock at the rate of one new share for each two shares held. Record date June 2, 1959; right expire July 31, 1959. **Price**—1¾ cents per share. **Proceeds**—For working capital. **Office**—Soriano Building, Plaza Cervantes, Manila (P. I.). **Underwriter**—None.

Phototronics Corp., College Point, L. I., N. Y.
June 9 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—Purchase and installation of machinery; electronic and optical test equipment; purchase and installation of fixtures and for working capital. **Office** — c/o McNabb, Sommerfield & James, 40 Exchange Place, New York, N. Y. **Underwriter**—M. H. Woodhill, Inc., New York, N. Y.

• **Pioneer Finance Co. (8/3-7)**
July 13 filed $1,000,000 of subordinated capital debentures due Aug. 1, 1971 (with warrants to purchase 75,000 shares of common stock). The securities are to be offered for public sale in units, each consisting of $1,000 principal amount of debentures and a warrant entitling the holder to buy 75 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—1400 National Bank Building, Detroit, Mich. **Underwriters** — White, Weld & Co., New York, and Watling, Lerchen & Co., Detroit.

Prairie Petroleum, Inc.
July 14 (letter of notification) 1,197,200 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For expenses of exploring and developing of oil and gas properties. **Office**—Patterson Bldg., Denver, Colo. **Underwriter**—None.

Producers Fire & Casualty Co., Mesa, Ariz.
March 31 filed 400,000 shares of common stock to be offered for subscription by holders of stock purchase rights acquired in connection with life insurance policies issued by Dependable Life Insurance Co. and to certain agents and brokers of Producers Fire & Casualty Co. **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—None.

Provident Security Life Insurance Co.
June 30 (letter of notification) 50,000 shares of common stock (par $1) to be offered to the policyholders of this company and of the Provident Security Insurance Co. **Price**—$6 per share. **Proceeds**—To increase capital and surplus. **Office**—40 E. Thomas Road, Phoenix, Ariz. **Underwriter**—None.

Radinsky Investment Co.
June 1 filed 100,000 shares of common stock (par $1). Each purchaser of stock is entitled to receive one stock purchase warrant for each five shares of stock acquired. The warrants will entitle the holder to acquire one share of common for each five shares of stock acquired. **Price**—$2 per share. **Proceeds**—For working capital. **Office**—2000 W. Colfax Ave., Denver, Colo. **Underwriters** — Amos C. Sudler & Co., and Purvis & Co., both of Denver, Colo. **Offering**—Expected in August.

Rad-O-Lite, Inc.
July 8 filed 300,000 shares of common stock (par 25¢). **Price** — $1.50 per share. **Proceeds** — For general corporate purposes. **Office**—1202 Myrtle St., Erie, Pa. **Underwriter**—John G. Cravin & Co., New York. **Offering**—Expected in September.

Raub Electronics Research Corp. (8/12)
July 15 filed 165,000 shares of common stock of which 150,000 shares will be offered to the public. **Price**—$8.50 per share. **Proceeds**—For general corporate purposes. **Office**—1029 Vermont Avenue, N. W., Washington, D. C. **Underwriter**—Weil & Co., Washington, D. C.

• **Raytherm Corp. (7/30)**
June 29 filed 150,000 shares of common stock, of which 118,000 shares are to be offered for the company's account and the remaining 32,000 shares are to be offered for the account of certain selling stockholders. **Price**—$7.50 per share. **Proceeds**—To retire bank loans, to expand plant capacity and research facilities through purchase of machinery and equipment and through leasehold improvements; and the balance for working capital. **Office** — Oakside at Northside, Redwood City, Calif. **Underwriters**—Blyth & Co., Inc., San Francisco and New York; and Schwabacher & Co., San Francisco, Calif.

★ **Realsite, Inc.**
July 28 filed 200,000 shares of class A stock. **Priced**— $3 per share. **Proceeds**—To pay off mortgages and for working capital. **Office**—Jamaica, L. I., N. Y. **Underwriter**—Robert L. Ferman & Co., Miami, Fla.

Republic Resources & Development Corp.
June 29 filed 1,250,000 unit shares of capital stock. **Price**—$2 per share. **Proceeds**—To be used in the company's oil exploration program for the purchase of oil exploration and drilling equipment, supplies and materials; to contract with U. S. geophysical contractors for technical

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services; and to pay its pro rata shares of the dollar exploration expenses under its agreement with three other companies for joint exploration of concessions held in the Philippines. **Office** — 410 Rosario St., Binondo, Manila, Philippines. **Underwriter**—John G. Cravin & Co., Inc., New York. **Offering**—Expected in September.

Richwell Petroleum Ltd., Alberta, Canada
June 26, 1958 filed 1,998,716 shares of common stock (par $1). Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **Price**—To be supplied by amendment. **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter**—Pacific Securities Ltd., Vancouver, Canada.

Ritter (P. J.) Co., Bridgeton, N. J.
June 18 filed 4,827 shares of preferred stock, non-cumulative, voting, (par $100) and 60,018 shares of common stock (no par) to be offered to the holders of preferred and common stock of Brooks Foods, Inc., at the rate of one share of Ritter preferred stock for each share of preferred stock of Brooks and two shares of common stock of Ritter for each share of common stock of Brooks. The exchange offer is being made by Ritter in accordance with its agreement with Brooks and certain of its stockholders who own an aggregate of 18,805 shares of its outstanding common stock, or approximately 62.5% of such stock, and who have agreed to accept the exchange offer upon effectiveness of the registration statement.

★ Rorer (William H.) Inc. (8/17)
July 22 filed 155,269 outstanding shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholder. **Office**—4865 Stenton Ave., Philadelphia, Pa. **Underwriters** — Kidder, Peabody & Co., New York, and Schmidt, Roberts & Parke, Philadelphia, Pa.

Royal Dutch Petroleum Co./Shell Transport & Trading Co.
May 27 Royal Dutch filed 794,203 shares (nominal par value of 20 Netherlands Guilders each), and Shell Transport filed 1,191,304 ordinary shares (£ nominal value). According to the prospectus, an offer has been made by Royal Dutch and Shell Transport to Canadian Eagle Oil Company Limited, for the whole of its assets and business. Pursuant to the offer, there would be allotted to Canadian Eagle, for distribution in kind to its shareholders, 3,971,012 fully paid shares of Royal Dutch and 5,956,518 fully paid ordinary shares of Shell Transport. Bataafse Petroleum Maatschappij, N.V., a company of the Royal Dutch/Shell group of companies, which owns about 21% of the issued share capital of Canadian Eagle, will waive its right to participate in such distribution. Canadian Eagle shareholders owning the remaining 23,826,072 ordinary shares of Canadian Eagle will therefore receive two Royal Dutch shares and three Shell Transport ordinary shares in respect of every 12 shares of Canadian Eagle held. The offer is to be voted upon by Canadian Eagle shareholders at a meeting to be held July 21, 1959. After the shares of Royal Dutch and Shell Transport have been distributed to Canadian Eagle shareholders, Canadian Eagle is to be dissolved. Statement effective June 17.

● St. Clair Specialty Manufacturing Co., Inc. (8/3)
June 29 filed 30,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds** — To be applied in partial payment of 5% note due April 1, 1961. **Office** — 120 Twenty-fifth Ave., Bellwood, Ill. **Underwriters**—Stifel, Nicolaus & Co. Inc., St. Louis, Mo.; and Walston & Co., Inc., New York.

St. Regis Paper Co.
June 26 filed 30,000 shares of common stock (par $5). The company proposes to offer this stock in exchange for outstanding shares of common stock of Lone Star Bag and Bagging Co. on the basis of 0.6782 of a share of St. Regis common for each share of Lone Star common. St. Regis will declare the exchange offer effective if 95% of the outstanding shares of Lone Star common are deposited for exchange, and may elect to do so if a lesser percent, but not less than 80%, of all the Lone Star common will enable it to control the business operations and policies of Lone Star.

St. Regis Paper Co.
June 24 filed 20,000 shares of common stock (par $5) to be offered by the company to the holders of the common stock of Chemical Packaging Corp. on the basis of one share of St. Regis common for each five and one-half shares of common stock of Chemical. **Office** — 150 East 42nd St., New York. **Underwriter**—None.

Samson Convertible Securities Fund, Inc.
July 15 filed 200,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Office**—23 Hazelton Circle, Briarcliff Manor, N. Y. **General Distributor**—Samson Associates, Inc.

Sea View Industries, Inc. (8/26)
July 14 filed $420,000 of 7% convertible subordinated debentures and 84,000 shares of common stock (par 10 cents). **Price**—$340 per unit of two debentures at $100 par and 40 shares of common stock at $3.50 per share. **Proceeds**—To retire loans; for machinery and equipment; and to add to working capital. **Office**—3975 N. W. 25th Street, Miami, Fla. **Underwriter**—Michael G. Kletz & Co., Inc., New York City.

Seeburg Corp.
June 19 filed $5,135,000 of 20-year 5¼% convertible subordinated debentures, due Aug. 1, 1979, being offered for subscription by common stockholders at the rate of $100 principal amount of debentures for each 23 shares. Record date July 21, 1959; rights expire on Aug. 4. **Price**—100% of principal amount. **Proceeds**—To retire outstanding notes and for general corporate purposes, including additional working capital. **Underwriter**—White, Weld & Co., New York.

Silver Creek Precision Corp. (8/4)
March 30 filed 1,550,000 shares of common stock (par 10 cents), of which 200,000 shares are to be offered for the account of the company, and 1,350,000 shares for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Central Ave. and Mechanic St., Silver Creek, N. Y. **Underwriter**—Maltz, Greenwald & Co., New York.

Soundscriber Corp.
May 13 filed 126,254 shares of common stock (par $4) being offered for subscription by common stockholders at the rate of one new share for each three shares held. Record date July 2, 1959; Rights expire July 29, 1959. **Price**—$14 per share. **Proceeds**—To be applied for costs incurred and to be incurred in connection with the introduction of a new line of office dictating equipment; payment of installment notes with interest; payment of a bank indebtedness; payment and interest on notes payable; and for general corporate purposes. **Office**—8 Middletown Avenue, North Haven, Conn. **Underwriter**—None.

Southern Nitrogen Co., Inc. (8/3-7)
July 8 filed 136,400 shares of outstanding common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Business**—The company owns and operates a nitrogen plant at Savannah, Ga. **Underwriter**—Harriman Ripley & Co. Inc., New York.

Southern Realty & Utilities Corp.
July 21 filed 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay loans and notes and for working capital. **Office** — New York City. **Underwriters**—Hirsch & Co., and Lee Higginson Corp., both of New York.

★ Southland Oil Ventures, Inc.
July 22 filed $1,000,000 of participating interests in the company's 1959 Oil and Gas Exploration Program, to be offered in units. **Price**—$5,000 per unit, with a minimum commitment of $10,000. **Proceeds**—For oil and gas exploration program. **Office**—2802 Lexington, Houston, Texas. **Underwriter**—None.

Southwestern Drug Corp.
July 22, 1959 filed 87,818 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including working capital. **Office**—Dallas, Texas. **Underwriter**—First Southwest Co., Dallas.

★ Speedry Chemical Products Co., Inc. (9/1-4)
July 30 filing expected of 218,333 shares of class A stock (par 50 cents), of which 51,667 shares are to be offered for account of company and 166,666 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital, etc. **Office**—Richmond Hill, L. I., N. Y. **Underwriter**—S. D. Fuller & Co., New York.

★ Standard Aircraft Equipment Co., Inc. (8/3)
July 12 (letter of notification) 75,000 shares of common stock (par five cents). **Price**—$4 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Adams & Peck, New York.

Stelling Development Corp.
June 8 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mortgages, land, paving roads, loans payable, advertising, etc. **Office**—305 Morgan St., Tampa 2, Fla. **Underwriter**—Stanford Corp., Washington, D. C.

Strategic Materials Corp.
June 29 filed 368,571 shares of common stock, to be offered for subscription by common stockholders at the rate of one new share for each five shares held on or about July 20, 1959; rights to expire on or about Aug. 12, 1959. **Price**—To be supplied by amendment. **Proceeds**—For payment of bank loans; for payment of a note; for working capital; for expenditures by Strategic-Udy Metallurgical & Chemical Processes Ltd., which owns and operates a pilot plant at Niagara Falls, Ontario, and is a subsidiary of Stratmat Ltd., Strategic's principal subsidiary, and by its other direct subsidiary, Strategic-Udy Processes, Inc., which owns and operates a laboratory at Niagara Falls, N. Y.; as working capital for a mining subsidiary; for payment of a mortgage; and as working capital for another subsidiary. **Underwriters**—S. D. Lunt & Co., Buffalo, N. Y.; and Allen & Co., New York.

Stuart Hall Co., Kansas City, Mo.
June 8 (letter of notification) 23,169 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—White & Co., St. Louis, Mo.

Studebaker-Packard Corp.
July 1 filed 165,000 shares of $5 convertible preferred stock (par $100) and 5,500,000 shares of common stock (par $1). The 5,500,000 shares are reserved for issuance upon conversion of the preferred stock on and after Jan. 1, 1961, at the conversion price of $3 per share, (taking the preferred at $100 per share). The preferred stock was originally issued by the company in October 1958, to 20 banks and three insurance companies pursuant to a corporate reorganization. The largest blocks of preferred stock are now held by two insurance companies—the Metropolitan Life Insurance Co. and the Prudential Insurance Co. of America. The filing was made in order to provide a prospectus for use by the preferred shareholders who may wish to offer or sell shares of the preferred and/or common stock. Bear, Stearns & Co., one of the preferred stockholders, will initially offer for public sale 550 shares of preferred stock owned by it, at a price to be supplied by amendment.

Sunray Mid-Continent Oil Co.
May 19 filed 525,000 shares of common stock to be offered in exchange for common stock of Suntide Refining Co. in the ratio of one share of Sunray for each three shares of Suntide. The offer is conditional upon the deposit by Aug. 7, 1959 of sufficient shares of Suntide so that Sunray will own at least 90% of the outstanding Suntide shares. Offering may be extended for additional 30 days. **Underwriter**—None.

● Supercrete Ltd. (8/10-14)
July 2 filed 300,000 shares of common stock, of which 100,000 shares will be offered for the account of certain selling stockholders, and the remaining 200,000 shares will be sold for the company's account (par 25 cents Canadian). **Price** — To be supplied by amendment. **Proceeds**—For reduction of bank loans and for working capital. **Office**—St. Boniface, Manitoba, Canada. **Underwriter**—Straus, Blosser & McDowell, Chicago and New York.

Super-Sol Ltd.
March 25 filed 250,000 shares of common stock. **Price**—At par (19,800 Israeli pounds—equivalent to $11 per share in U. S. funds), payable up to 90% in State of Israel Independence Issue and Development Issue Bonds, and the balance in cash. **Proceeds**—For expansion program. **Office** — 79 Ben Yehuda St., Tel Aviv, Israel. **Underwriter**—American Israel Basic Economy Co., New York, N. Y. Statement effective June 24.

● Superior Window Co. (8/24)
May 15 filed 50,000 shares of 70-cent cumulative convertible preferred stock (par $8) and 125,000 shares of class A common stock (par 10 cents). **Price**—For preferred stock, $10 per share; and for common stock, $4 per share. **Proceeds**—To purchase the assets of Superior Trucking Co.; for repayment of notes; and for general corporate purposes. **Office**—625 E. 10th Ave., Hialeah, Fla. **Underwriter**—Cruttenden, Podesta & Co., Chicago and New York.

● Tape Cable Electronics Co., Inc. (8/10-14)
June 8 filed 110,000 shares of common stock (par one cent). **Price**—$3.75 per share. **Proceeds**—For the purchase and construction of necessary machinery and equipment, the promotion and sale of Tape Cable, and for working capital. **Office**—790 Linden Ave., Rochester, N. Y. **Underwriters**—Charles Plohn & Co. and Netherlands Securities Co., Inc., both of New York.

Technology, Inc.
May 15 filed 325,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—To pay off in full the subscription of Microwave Electronic Tube Co., Inc. stock, represented by notes, to pay for improvements upon the plant leased to Microwave, and for working capital. **Office**—1500 Massachusetts Avenue, N. W., Washington, D. C. **Underwriter** — E. L. Wolf Associates, Inc., Washington, District of Columbia.

● Television Shares Management Corp. (8/4)
July 1 filed 206,500 outstanding shares of common stock (par one cent). **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—135 South LaSalle St., Chicago, Ill. **Underwriter** — White, Weld & Co., Chicago and New York.

Ten Keys, Inc., Providence, R. I.
April 28 filed 973,000 shares of capital stock (par $1). **Price**—$5.40 per share. **Proceeds**—For investment. **Office**—512 Hospital Trust Bldg., Providence, R. I. **Distributor**—E. R. Davenport & Co., Providence, R. I.

Ten Pin Bowl Inc.
July 7 (letter of notification) 29,000 shares of common stock. **Price** — At par ($10 per share). **Proceeds** — To purchase land, building and equipment. **Office** — 506 King Street, Alexandria, Va. **Underwriter**—None.

● Terminal Tower Co. (8/17)
July 21 filed $2,500,000 7% 10-year sinking fund debentures, due Aug. 1, 1969, with warrants, each warrant entitling the holder to buy 40 shares of common stock ($1 par) until Aug. 1, 1962 at $10 per share. **Price**—To be offered at 100% of principal amount. **Proceeds**—To repay bank indebtedness. **Underwriter**—Fulton Reid & Co., Inc., Cleveland, O.

Tip Top Products Co.
May 29 filed $850,000 of 6% first mortgage sinking fund bonds, series A (with warrants for 17,000 shares of class A common stock), and 100,000 shares of class A common stock. **Price** — For stock, $10 per share; for bonds, at 100% of principal amount. **Proceeds**—To retire the present mortgage debt of the company, to pay off short-term bank borrowings, and for working capital. **Office**—1515 Cuming St., Omaha, Neb. **Underwriters** — J. Cliff Rahel & Co., Omaha, Neb.; and The First Trust Co. of Lincoln, Neb.

● Tool Research & Engineering Corp. (8/17-21)
July 14 filed 250,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital; to repay loans; and for additional equipment. **Office** — Compton, Calif. **Underwriter** — Shields & Co., New York.

Trans-Central Petroleum Corp. (8/13)
July 6 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses to explore for gas and oil and development. **Office**—Two Park Ave., New York 16, N. Y. **Underwriter**—Barnett & Co., Inc., New York, N. Y.

Transcon Petroleum & Development Corp., Mangum, Okla.
March 20 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development of oil properties. **Underwriter**—First Investment Planning Co., Washington, D. C.

Treasure Hunters, Inc.
June 4 filed 1,900,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For salvage operations. **Office**—1500 Massachusetts Avenue, N. W., Washington, D. C. **Underwriter**—None.

Trinity Small Business Investment Co.
April 17 filed 235,000 shares of capital stock (par $1). **Price** — $10.75 per share. **Proceeds** — For investment. **Office**—South Main Street, Greenville, S. C. **Underwriter**—To be supplied by amendment.

Tungsten Mountain Mining Co.
May 21 (letter of notification) $100,000 principal amount of 7% first mortgage convertible bonds, to be offered in denominations of $500 and $1,000 each. **Price**—100% of principal amount. **Proceeds**—For construction, installation of machinery and equipment and working capital. **Office**—511 Securities Building, Seattle 1, Wash. **Underwriter**—H. P. Pratt & Co., Seattle 4, Wash.

★ **Union Bag-Camp Paper Corp. (8/18)**
July 24 filed 327,042 shares of outstanding capital stock. **Price**—To be supplied by amendment. **Proceeds**—To the Louis Calder Foundation, selling stockholders. **Office**—233 Broadway, New York. **Underwriters**—Blyth & Co., Inc., and Cyrus J. Lawrence & Sons, both of New York.

★ **United Discount Corp.**
July 23 filed 500,000 shares of common stock. **Price**—$3.50 per share. **Proceeds**—For general corporate purposes and to reduce indebtedness. **Office** — 222 — 34th Street, Newport News, Va. **Underwriter**—Willis, Kenny & Ayres, Inc., Richmond, Va.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5) **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

★ **United Discount Corp.**
July 23 filed 500,000 shares of common stock (par $1). **Price**—$3.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Willis, Kenny & Ayres, Inc., Richmond, Va. **Offering** — Expected sometime during August.

U. S. Polymeric Chemicals, Inc.
June 11 filed 71,080 shares of common stock (par 50 cents), of which 56,080 shares are being offered for subscription by stockholders at the rate of one new share for each six shares held of record June 30, 1959, at a price of $19.50 per share. Rights expire July 31, 1959. The remaining 15,000 shares are being sold by certain selling stockholders. **Price** — $21.50 on publicly offered stock. **Proceeds**—To be added to the general funds of the company and used for corporate purposes, including a $250,000 expenditure for the purchase and installation of new processing equipment, consisting principally of two additional treaters for its Santa Ana (Calif.) plant. **Underwriter** — Dominick & Dominick, New York.

Universal Finance Corp.
July 13 (letter of notification) 10,000 shares of common stock (par 15 cents). **Price**—$5 per share. **Proceeds**—For general operating funds. **Office**—700 Gibralter Life Bldg., Dallas, Tex. **Underwriter**—Texas National Corp., San Antonio, Tex.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Variable Annuity Life Insurance Co. of America
April 21 filed $4,000,000 of Variable Annuity Policies. **Price**—No less than $120 a year for annual premium contracts and no less than $1,500 for single premium cont. cts. **Proceeds**—For investment, etc. **Office**—1832 M Street, N. W., Washington, D. C. **Underwriter**—None.

Victoria Raceway
May 25 filed 1,000,000 shares of common stock (par $2 in Canadian funds). **Price**—$4.50 per share. **Proceeds**—To construct and operate a racing plant; and for working capital and other corporate purposes. **Office**—Notre Dame Avenue at King Street, Winnipeg, Canada. **Underwriter**—Original underwriter has withdrawn.

Vulcan Materials Co., Mountain Brook, Ala.
May 7 filed 252,526 shares of common stock, of which 142,526 shares represent the balance of 250,000 shares issuable upon the exercise of options granted key employees under the company's Employees Stock Option Plan. The remaining 110,000 shares are to be issued to stockholders of Greystone Granite Quarries, Inc., and Pioneer Quarries Co., both North Carolina corporations, and to certain other parties in exchange for all the outstanding capital stock of Greystone and Pioneer and certain real and personal properties operated under lease by Pioneer.

Vulcan Materials Co., Inc.
June 29 filed 10,000 shares of 6¾% cumulative preferred stock and 560,000 shares of common stock, to be offered to the stockholders of Ralph E. Mills Co., Talbott Construction Corp. and Talco Constructors, Inc., in exchange for all the outstanding capital stock of these three corporations, and to the owner of Sherman Concrete Pipe Co., Chattanooga, Tenn., for the business and assets of that company. **Office**—Mountain Brook, Ala. Statement became effective on July 20.

Washington Land Developers, Inc.
June 3 filed 100,000 shares of class A common stock. **Price** — $5 per share. **Proceeds** — For working capital. **Office**—1507 M Street, N. W. Washington, D. C. **Underwriter**—None.

★ **Wayne Manufacturing Co.**
July 27 filed 90,000 outstanding shares of capital stock. **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Office**—1201 East Lexington Street, Pomona, Calif. **Underwriter**—Mitchum, Jones & Templeton and Schwabacher & Co., Los Angeles, Calif.

Wellington Electronics, Inc.
May 6 filed 240,000 shares of common stock (par 75 cents. **Price**—$6 per share. **Proceeds**—For repayment of a bank note; to complete the automation of the etched foil production plant at Englewood, N. J.; for manufacture of machines to be leased to capacitor manufacturers; and for working capital. **Office** — Englewood. N. J. **Underwriter**—Firm originally indicated has withdrawn. Statement effective July 8.

Western Empire Life Insurance Co.
June 29 filed 212,000 shares of common stock and options to purchase 172,701 shares (plus the underlying shares). The company proposes to make a public offering of three blocks of stock in amounts of 40,430, 38,570 and 36,935 shares, at prices of $1, $2 and $3, respectively. The remaining 96,065 common shares and options for the 172,701 shares (together with shares underlying such options) are to be offered by the present holders thereof. The options permit purchase of the underlying shares at $1 per share. **Proceeds**—For general corporate purposes. **Office**—2801 East Colfax Ave., Denver, Colo. **Underwriter**—None.

Western Wood Fiber Co.
March 5 filed 100,000 shares of common stock (par $10) and 40,000 shares of preferred stock (par $25). **Price** — At par. **Proceeds**—For construction and equipment of company's plant and for working capital. **Office**—300 Montgomery St., San Francisco, Calif. **Underwriter**—None.

Wyoming Corp.
Nov. 17 filed 1,449,307 shares of common stock. Of these shares 1,199,307 are subject to partially completed subscriptions at $2, $3.33 and $4 per share; and the additional 250,000 shares are to be offered initially to shareholders of record Nov. 1, 1958, in the ratio of one new share for each 2.33 shares held on that date. **Price**—$4 per share. **Proceeds**—$300,000 will be used for payments on contract to purchase shares of International Fidelity Insurance Co.; $325,000 for capitalization of a fire insurance company; $500,000 for capitalization of a title insurance company; $500,000 for additional capital contribution to Great Plains Development Co.; and $300,000 as an additional capital contribution to Great Plains Mortgage Co. **Office**—319 E. "A" St., Casper, Wyo. **Underwriter**—None.

Zapata Off-Shore Co. (8/4)
July 13 filed 229,585 of common stock (par 50 cents). **Price** — To be supplied by amendment. **Proceeds** — To Zapata Petroleum Corp., the selling stockholder. **Office** —2218 First City National Bank Bldg., Houston, Texas. **Underwriter**—G. H. Walker & Co., New York.

Prospective Offerings

Albertson's Inc.
June 23 it was reported that the company contemplates some additional financing, probably in the form of common stock. **Business**—Food stores concern. **Underwriter** —J. A. Hogle & Co., Salt Lake City, Utah. **Offering**—Expected sometime this fall.

American Gypsum Co.
July 15 it was reported that the company will register debt and equity securities later this year. **Proceeds**—For construction of a gypsum products plant in Albuquerque, New Mexico, and for working capital. **Office**—Albuquerque, N. M. **Underwriters**—Jack M. Bass & Co., Nashville, Tenn., and Quinn & Co., Albuquerque, N. M.

★ **Aurora Plastics Corp.**
July 30 it was reported that the company plans early registration of 225,000 shares of common stock (part for selling stockholders). **Business** — Manufactures plastic airplane models. **Underwriter** — Burnham & Co., New York.

Barton's Candy Corp.
July 15 it was reported that the company is planning an issue of common stock. **Business** — The 19-year-old company operates 67 retail candy stores in the Greater New York area, and 45 other outlets in the area north of Atlanta, Ga., and east of Chicago, Ill. Gross sales volume in the fiscal year ended June 30 was reportedly about $10,000,000. **Proceeds** — In part to selling stockholders, and, in part, to the company, for the expansion of production facilities, for the organization of additional outlets, and for general corporate purposes. **Underwriter** —D. H. Blair & Co., N. Y. C.

Benson Manufacturing Co., Kansas City, Mo.
June 10 it was announced that the company contemplates an offering of $4,500,000 of common stock. **Proceeds** — For expansion program and additional working capital. **Business**—The company is engaged in the manufacture of aircraft and missile parts, aluminum containers and beer barrels, aluminum curtain wall sections for the building industry and other proprietary products. **Underwriter**—S. D. Fuller & Co., New York.

★ **Boston Edison Co.**
July 23 it was reported that at a meeting to be held Sept. 2 stockholders will consider issuing not more than $15,000,000 of first mortgage bonds. **Proceeds**—To retire short-term bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Lehman Brothers; and White, Weld & Co.

★ **Boston Edison Co.**
July 23 it was reported that at a meeting to be held Sept. 2 stockholders will consider issuing 271,553 shares of common stock, to be offered to stockholders on the basis of one new share for each 10 shares held as of the record date. The last rights offering was underwritten by The First Boston Corp., New York.

● **Buckingham Transportation, Inc. (8/6)**
July 17 the company sought ICC approval for the issuance of 250,000 shares of class A common stock (par $1). **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill. **Price**—$10 per share. **New Name**—The company's name will be changed to Buckingham Freight Lines.

Central & Southwest Corp.
May 19 it was announced that the company in view of generally favorable market conditions, is now considering the sale of 350,000 or 400,000 shares of common stock. **Offering**—Expected sometime this Fall. **Underwriters** — To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Harriman Ripley & Co., Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Smith Inc. jointly.

Chesapeake & Ohio Railway (8/12)
July 15 it was reported that the road plans the sale of about $2,500,000 of equipment trust certificates on either Aug. 12 or Aug. 19. Probable bidders: Halsey, Stuart & Co., Inc., and Salomon Bros. & Hutzler.

★ **Cincinnati, New Orleans & Texas Pacific Ry. (8/24)**
July 27 it was reported that the company plans to receive bids on Aug. 24 for the purchase from it of $4,440,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler, both of New York.

Citizens National Bank, Los Angeles, Calif.
July 8 the bank offered 210,000 additional shares of common stock (par $10) to its stockholders of record June 30, 1959, on the basis of one new share for five shares than held (after a 50% stock dividend); rights to expire on Aug. 3. **Price**—$37.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif.

Community Public Service Co. (9/9)
July 7 it was reported that the company contemplates the issuance and sale of 30,000 shares of preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and White, Weld & Co. (jointly); Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp. **Bids** —Expected to be received on Sept. 9.

★ **Consolidated Edison Co. of New York Inc. (12/1)**
July 30 it was reported that the company plans the issuance and sale of $50,000,000 first and refunding mortgage bonds. **Proceeds** — For construction expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received on Dec. 1.

Consolidated Natural Gas Co.
May 19, James Comerford, President, announced that company plans later in year to issue and sell $20,000,000 of debenture bonds, if market conditions are favorable. **Proceeds**—For investments, improvements, etc. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and The First Boston Corp. (jointly); White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly).

Construction Products Corp., Miami, Fla.
June 26 it was reported that this company plans an offering of about 250,000 shares of class A common stock, of which 200,000 shares will be sold for the account of certain selling stockholders, and 50,000 shares will be sold for the company's account. **Proceeds** — Working capital. **Underwriter** — Clayton Securities Corp., Boston, Mass. **Offering**—Expected in the middle part of Sept.

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Cyprus Mines Corp.
July 15 it was reported that approximately 1,000,000 shares of a secondary issue common stock will be registered in the Fall. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

El Paso Natural Gas Co.
Stockholders voted April 28 to increase the authorized preferred stock to 1,000,000 shares from 472,229 shares, and the common stock to 25,300,000 shares from 20,300,000 shares. **Proceeds** — For major expansion program. **Underwriter**—White, Weld & Co., New York.

Essex Universal Corp.
June 15 it was reported that the company in the next few months expects the issuance and sale of about $2,000,000 of debentures. **Underwriter**—D. H. Blair & Co., New York.

Federation Bank & Trust Co.
June 30 the Directors approved and the stockholders approved on July 14, the offering of 108,904 shares of new capital stock to stockholders of record Aug. 7, 1959; rights to expire on Aug. 28, 1959. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

★ Gateway Airlines, Inc. (8/13)
July 30 it was reported that the company will make an initial common stock offering. **Proceeds**—To buy planes and for general corporate purposes. **Underwriter**—May be Dunne & Co., New York. **Registration**—Planned for the week of Aug. 13.

★ General Flooring Corp.
July 30 it was reported that the company plans early registration of $1,500,000 of 15-year bonds and common stock, to be offered in units. This will be the company's first public financing. **Business**—Manufacturer of stretch wool panel flooring. **Underwriters**—H. M. Byllesby & Co., Inc., Chicago, Ill.; Mason-Hagan, Inc., Richmond, Va.; Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.

Georgia Power Co. (9/17)
Dec. 10 it was announced that the company plans to issue and sell $18,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Shields & Co. (jointly); Lehman Brothers; The First Boston Corp.; Morgan Stanley & Co.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Registration**—Planned for Aug. 21. **Bids**—Expected to be received on Sept. 17.

Kansas City Power & Light Co.
Dec. 29 it was reported that the company plans to issue and sell $20,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman, Dillon, Union Securities & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly). **Bids**—Expected later in the year.

Maritime Telegraph & Telephone Co., Ltd.
June 4 it was announced that the company has decided to raise a substantial portion of the capital required by an issue of common stock to be offered to both preferred and common stockholders. It is expected that rights to purchase these share will be available during the latter part of August. **Proceeds**—For capital expenditures.

● Merchants National Bank, Boston, Mass.
July 16 stockholders of record July 15 were offered an additional 72,500 shares of capital stock on the basis of one new share for each 6¼ shares held. The subscription price is $43 per share and rights expire on Aug. 4, 1959. **Proceeds**—To increase capital and surplus. **Underwriter**—First Boston Corp., New York City.

Newark Electric Co. of Chicago
June 2 it was reported that company plans some financing. **Business**—Distributor of electronic parts. **Offering**—Expected in August or September.

North American Equitable Life Assurance Co.
Dec. 1 it was announced that the company plans an offering of 950,000 shares of capital stock. **Price** — $10 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—John M. Tait & Associates, Cincinnati, Ohio

Pacific Gas & Electric Co. (8/25)
July 1 it was announced that the only financing operation the company will conduct this year will take the form of $65,000,000 of first and refunding mortgage bonds. **Proceeds**—To be applied in part, to retire temporary bank loans, and the balance to finance the company's continuing program of expansion for the remainder of the year. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc. Bids to be received on Aug. 25.

Pittsburgh & Lake Erie RR. (8/26)
July 7 it was reported that the company plans to receive bids on Aug. 26 for the purchase from it of approximately $3,200,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Puget Sound Power & Light Co.
May 15, Frank McLaughlin, President, announced company plans to issue and sell first mortgage bonds later in the year. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and Lehman Brothers (jointly); Merrill Lynch, Pierce, Fenner & Smith, Inc.; Stone & Webster Securities Corp.; The First Boston Corp. and Smith, Barney & Co. (jointly).

Salant & Salant Inc.
July 15 it was reported that this company plans to register 100,000 shares of common stock in August. The company, which has never before done any public financing, manufactures shirts in Tennessee. **Proceeds**—For general corporate purposes. **Office**—330 5th Avenue, New York. **Underwriter**—Kidder, Peabody & Co., New York.

So. Carolina Electric & Gas Co.
June 22, S. C. McMeekin, President, announced plans to sell approximately $6,000,000 of bonds in December, 1959. **Proceeds**—To repay bank loans incurred for current construction program. Previous issues have been placed privately.

★ Transdyne Corp.
It was reported July 29 that this corporation will issue common stock, amounting to less than $300,000, in the Fall. **Business**—The company manufactures electronics equipment, including simulators, trainers, and radar devices. **Proceeds**—For working capital. **Office**—Maspeth, L. I., N. Y. **Underwriter**—Simmons & Co., New York.

Union Electric Co. (Mo.)
July 17 directors authorized issuance of 1,036,602 shares of common stock to holders of record Sept. 10, 1959, on the basis of one new share for each 100 shares then held. **Proceeds** — For expansion program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Lehman Brothers; White, Weld & Co., and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Inc. **Offering**—Expected toward the end of the third quarter of 1959.

Wayne Manufacturing Co., Los Angeles, Calif.
May 26 it was reported that this company plans a secondary offering of about 90,000 shares of common stock. **Proceeds**—To selling stockholders. **Underwriters**—Mitchum, Jones & Templeton, Los Angeles, Calif.; and Schwabacher & Co., San Francisco, Calif.

West Florida Natural Gas Co. (9/15)
July 13 it was reported that the company plans to register $1,750,000 of notes and common stock. **Underwriter**—Beil & Hough Inc., St. Petersburg, Fla.

Our Reporter's Report

Mounting pressure of funds seeking investment is making itself felt in the top-quality bond market, it appears from the favorable behavior of high-rated corporated issues.

Meantime the Treasury list continues to put its best foot forward with quiet strength showing in that direction with the Government's recent new issues meeting steady demand.

Not the least important force behind the improved behavior of the investment market is the dearth of new emissions in any volume. Industry is financing its expansion plans in a larger measure these days but currently the market is in the throes of the usual summer letdown.

And presumably some people with plans for raising new capital in mind may be disposed to wait a while and see how things develop in the steel industry which is some 87% idle because of the strike.

But the accumulation of funds in the hands of institutional investors continues more or less steadily, posing real problems for those charged with the task of finding outlets for such monies.

The seasoned market has not indicated anything in the way of boisterous strength but it has been quietly reflecting the presence of steady and persistent demand at a price level.

Unless something unforeseen happens it now appears that August will be a really dull month in new corporate issues. Certainly at this point there is nothing to indicate any substantial outpouring.

Discount Issues

That the almost complete slow down in new corporate offerings is putting the pressure on people with funds to invest is indicated also by the growing interest being shown in "discount" bonds.

In the present high-coupon phase of the market, prospective buyers have been shying away from low-coupon issues for a period of months. Those carrying 2¾% and 3½% interest rates have been more or less without friends.

But now the picture shows signs of changing. And this could be indicative of an even more basic shift in investor thinking. It may indicate that some are convinced that the current rising cycle in money rates is at or near its zenith. Naturally there are always those who see the opportunity for capital appreciation in the discount area.

Out-the-Window

The underwriting fraternity had another of its "out-the-window" operations this week when bankers brought Transcontinental Gas Pipe Line Corp.'s $20 million of debentures and $15 million of new preferred stock to market.

The debentures carrying a 5⅛% coupon and priced to yield 5.15%, with a maturity of 21 years, was reported to have been snapped up quickly upon the opening of the books.

And the preferred stock, carrying a $5.60 cumulative dividend was reported to have met equally impressive demand.

Light Calendar

The new issue roster for next week is no cause for any raising of eyebrows. Once more the list is anemic and void of any really substantial undertakings. Monday's feature is Crowell-Collier Corp's 200,000 shares of common stock.

On Tuesday Pennsylvania Electric Co. will open bids for $15 million of mortgage bonds.

And on Wednesday Pacific Power & Light Co. will be in the market for bids on $10,996,000 of new debentures.

C. B. Demarest Opens

ORADELL, N. J.—C. Brooks Demarest is conducting a securities business from offices at 433 Prospect Avenue.

Opens Inv. Office

Harry C. Hagerty, Jr. is engaging in a securities business from offices at 15 Broad Street, New York City. He was formerly with Lehman Brothers and White, Weld & Co.

With Stewart, Eubanks

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Sanford H. DuBois has become associated with Stewart, Eubanks, Meyerson & Co., 216 Montgomery Street, members of the New York & Pacific Coast Stock Exchanges.

Weston Security Sales

SAN FRANCISCO, Calif.—Lee T. Weston III is conducting a securities business from offices at 235 Montgomery Street under the firm name of Weston Security Sales.

With Hooker & Fay

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Robert H. Van der Leith has been added to the staff of Hooker & Fay, 221 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

R. Pagel Opens

BURBANK, Calif.—Raoul Pagel is engaging in a securities business from offices at 1036 North Avon Street under the firm name of Raoul Pagel & Associates.

Joins J. B. Hanauer

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Charles W. Targett has been added to the staff of J. B. Hanauer & Co., 140 South Beverly Drive.

Now With J. A. Hogle

(Special to The Financial Chronicle)

LONG BEACH, Calif.—John A. Richards has become affiliated with J. A. Hogle & Co. 147 East First St. Mr. Richards was formerly with E. F. Hutton & Co. and Paine, Webber, Jackson & Curtis.

Joins Kidder Peabody

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Charles W. Derryberry has become connected with Kidder, Peabody & Co., 140 Montgomery St.

Reynolds Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — William R. Morgan is now affiliated with Reynolds & Co., 425 Montgomery Street.

With J. H. Ayres

(Special to The Financial Chronicle)

COLORADO SPRINGS, Colo. — Harold E. Anderson is with J. H. Ayres & Co., 920 East Williamette

Brokerage Acctg. Courses Offered

Graduate courses in "Brokerage Accounting" and "Commercial Bank Accounting" will be offered for the fall semester at City College's Baruch School, it was announced by Dr. Jerome B. Cohen, Assistant Dean in charge of graduate studies. The classes will examine the accounting techniques, industry terminology and procedures applicable to these special fields.

The course in "Brokerage Accounting" will study the organization an doperation of a brokerage firm, margin requirements, customer's accounts and the computation of aggregate indebtedness and available capital.

"Commercial Bank Accounting" is designed to acquaint students with banking systems, handling and recording securities, internal audit, and depositors' and borrowers' transactions.

Both classes will meet Thursday evenings from 6:50-8:30 p.m. beginning September 24. Registration will be held Thursday and Friday, September 17 and 18 from 5:30-8:30 p.m. at the Baruch School, 17 Lexington Ave. Contact the Graduate Division, ORegon 3-7700, ext. 19 or 20, for registration and course information.

Richard L. Coward With Hugh W. Long & Co.

Richard L. Coward has been appointed a regional representative for Hugh W. Long & Co., Inc. He will represent the Long company throughout New York State north of the New York City line.

Mr. Coward has been in the securities business for the past six years and has had broad retail and wholesale experience with individual, institutional and dealer accounts. He was formerly associated with McDowell Dimond & Co., Inc., Providence, and recently with Weedon & Co.'s Boston office.

Form Inv. Bankers Inc.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Investment Bankers, Inc. has been formed with offices in the First National Bank Building, to engage in a securities business. Officers are T. H. Ruth, president; and Francis A. Wilder, secretary-treasurer.

In Inv. Business

INDIANAPOLIS, Ind. — David L. Johnson and Associates, Inc. is engaging in a securities business from offices at 2802 North Delaware Street. Officers are David L. Johnson, president; Gilbert E. McQuinn, vice president; and M. F. Dell, secretary-treasurer.

Crowell, Weedon Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Burdett R. Harrison has been added to the staff of Crowell, Weedon & Co., 650 South Spring St., members of the Pacific Coast Stock Exchange. Mr. Harrison was formerly with California Investors.

John G. Rutner Now With Hill Richards Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John G. Rutner is now associated with Hill Richards & Co., 621 South Spring St., members of the Pacific Coast Stock Exchange. He was formerly with William R. Staats & Co. and prior thereto was assistant sales manager for Morgan & Co.

With Irving Lundborg

(Special to THE FINANCIAL CHRONICLE)

MENLO PARK, Calif.—John B. Licata is now with Irving Lundborg & Co., 1134 Chestnut Street.

Joins Birkenmayer Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Max D. Stern has become affiliated with Birkenmayer & Co., 734 Seventeenth St.

DIVIDEND NOTICES

AMERICAN BANK NOTE COMPANY

PREFERRED DIVIDEND No. 214
COMMON DIVIDEND No. 204

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending September 30, 1959 and a dividend of 30¢ per share on the Common Stock have been declared. Both dividends are payable October 1, 1959 to holders of record September 4, 1959. The stock transfer books will remain open.

LOUIS T. HINDENLANG
Secretary and Treasurer

July 22, 1959

QUALITY

The American Tobacco Company

216TH COMMON DIVIDEND

A regular dividend of One Dollar ($1.00) per share has been declared upon the Common Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on September 1, 1959, to stockholders of record at the close of business August 10, 1959. Checks will be mailed.

July 28, 1959

HARRY L. HILYARD
Vice President and Treasurer

© A. T. Co.

AMERICAN ELECTRIC POWER COMPANY, Inc.

AEP

198th Consecutive Cash Dividend on Common Stock

• A regular quarterly dividend of Forty-two cents ($.42) per share on the Common Capital Stock of the Company, issued and outstanding in the hands of the public, has been declared payable September 10, 1959, to the holders of record at the close of business August 10, 1959.

W. J. ROSE, Secretary

July 29, 1959.

BRILLO MANUFACTURING COMPANY, INC.

Dividend No. 118

A Dividend No. 118 of Twenty-Five Cents ($.25) on the new Common Stock has been declared, payable October 1, 1959 to stockholders of record September 15, 1959.

M. B. LOEB, President

Brooklyn, N. Y.

Brown Company

DIVERSIFIED FOREST PRODUCTS

Nibroc Towels and Wipers, Bermico Pipe, Engineered Pulps and Papers, Veneer, Plywood, Lumber, Onco Innersoles for Shoes, Chemicals

A quarterly dividend of 15¢ per share on the Common Stock of this Company has been declared payable Sept. 1, 1959, to stockholders of record at the close of business August 7, 1959.

S.W. SKOWBO
Senior Vice President and Treasurer

Berlin, N.H. July 27, 1959

AMERICAN METER COMPANY
INCORPORATED

dividend notice

The Board of Directors, on July 23, 1959 declared a quarterly dividend of fifty cents ($.50) per share on the capital stock of the company, payable September 15, 1959 to stockholders of record at the close of business August 31, 1959.

W. B. ASHBY, *Secretary*

13500 Philmont Ave., Phila. 16, Pa.

DIVIDEND NOTICES

The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of fifty-five cents per share payable on September 11, 1959 to stockholders of record at the close of business on August 10, 1959.

D. H. ALEXANDER, Secretary

July 24, 1959.

EATON MANUFACTURING COMPANY
CLEVELAND 10, OHIO

DIVIDEND No. 156

On July 24, 1959, the Board of Directors declared a dividend of ninety cents (90c) per share on the common shares of the Company, payable Aug. 25, 1959, to shareholders of record at the close of business Aug. 5, 1959.

R. G. HENGST, *Secretary*

Manufacturing plants in 16 cities, located in six states, Canada and Brazil.

O'okiep Copper Company Limited

Dividend No. 51

The Board of Directors today declared a dividend of ten shillings per share on the Ordinary Shares of the Company payable September 1, 1959.

The Directors authorized the distribution of the said dividend on September 11, 1959 to the holders of record at the close of business on September 4, 1959 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to approximately $1.40 per share, subject, however, to any change which may occur in the rate of exchange for South Africa funds prior to September 1, 1959. Union of South Africa non-resident shareholders tax at the rate of 6.45% will be deducted.

By Order of the Board of Directors,
F. A. SCHECK, *Secretary.*

New York, New York, July 29, 1959.

Southern Railway Company

THE SOUTHERN SERVES THE SOUTH

DIVIDEND NOTICE

New York, July 28th, 1959.

A dividend of Seventy cents (70¢) per share on the Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1958, payable on September 15, 1959, to stockholders of record at the close of business on August 14, 1959.

J. J. MAHER, Secretary.

National Distillers and Chemical Corporation

N D
U.S.I.

INCREASED COMMON STOCK DIVIDEND

The Board of Directors has increased the regular quarterly dividend on the Common Stock from 25 cents to 30 cents a share. The first dividend at the new 30 cent rate has been declared payable on September 1, 1959 to stockholders of record on August 11, 1959. The transfer books will not close.

PAUL C. JAMESON
Treasurer

July 23, 1959

DIVIDEND NOTICES

United States Pipe and Foundry Company

New York, N. Y., July 24, 1959

The Board of Directors this day declared a quarterly dividend of thirty cents (30¢) per share on the outstanding Common Stock of this Company, payable September 15, 1959, to stockholders of record on August 31, 1959.

The transfer books will remain open.

UNITED STATES PIPE AND FOUNDRY COMPANY
JOHN W. BRENNAN, *Secretary & Treasurer*

UNION CARBIDE

A cash dividend of Ninety cents (90¢) per share on the outstanding capital stock of this Corporation has been declared, payable Sept. 1, 1959 to stockholders of record at the close of business July 31, 1959.

JOHN F. SHANKLIN
Secretary and Treasurer
UNION CARBIDE CORPORATION

TC
TENNESSEE CORPORATION

TENNESSEE CORPORATION

July 21, 1959

A dividend of fifty-five (55c) cents per share was declared payable September 24, 1959, to stockholders of record at the close of business September 10, 1959.

JOHN G. GREENBURGH
61 Broadway *Treasurer.*
New York 6, N. Y.

Sinclair

COMMON STOCK
DIVIDEND No. 115

On July 22, 1959 a regular quarterly dividend of 75 cents per share was declared on the Corporation's Common Stock, payable September 15, 1959 to stockholders of record at the close of business on August 15, 1959.

SINCLAIR OIL CORPORATION

600 Fifth Avenue New York 20, N. Y.

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 82

A regular quarterly dividend of 50 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable September 14, 1959 to stockholders of record at the close of business on August 31, 1959.

H. D. McHENRY,
Executive Vice President

Dated: July 25, 1959.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The expanding number of corporate pension funds, with no obligations payable on demand, are side-stepping the state and local government bond markets and centering their investment interest on common stocks. They are doing this as a hedge against inflation.

The United States Department of Labor traces the growth of the pension trust funds and the economic ramifications surrounding them in an article in the current issue of "Monthly Labor Review."

There has been a marked switch from bonds to stocks since 1951. Both government securities and corporate bonds combined declined from 77% of all assets held by the pension funds to 62% in 1958. In the same period, the percentage of common stocks rose from about 12% to 27% of assets.

While the Department of Labor published this article by Victor L. Andrews, Assistant Professor of Finance, School of Industrial Management, Massachusetts Institute of Technology, labor and labor legislation were in the news. For instance a new conservative labor-reform bill has been unveiled in the House. It is expected to have the support of Southern conservatives and Republican conservatives. Meantime, the House Labor Committee has voted out a bill different than the one passed by the Senate in April.

Roscoe Pound's Tract

Still on another front in the Nation's Capital, Congress and others have been presented with a new booklet declaring that labor unions should be subject to duties and responsibilities under law the same as other monopolies enjoying franchises and privileges. The recommendation by Roscoe Pound, Dean Emeritus of the Harvard Law School, was published in a 61-page booklet by the American Enterprise Association, with headquarters in Washington.

From still another quarter a spokesman for the Chamber of Commerce of the United States described the House Labor Committee bill, with some justification, this way:

"The House Labor Committee has offered the American people a bean-shooter with which to defend themselves against a pack of predatory wolves, and the wolves, like Uncle Remus' Tar Baby, are crying: 'Oh, no! Don't turn that terribly weapon against us.'"

The spokesman, William B. Barton, the Chamber's General Counsel, went on to warn that the House committee-approved measure would not disturb union racketeers, nor would it help the working man from gangster-type union bosses that are getting more powerful. Certainly labor legislation is one of the most important pieces of legislation that will face this Congress.

Tax-Exempts Unattractive

But back to the meaty investment article, which the Department of Labor printed: Assistant Professor Andrews of MIT said the shifting from bonds to common stocks by trustees of pension funds, was designed to preserve the health of pension funds in a rapidly shifting financial environment.

Relatively stale-valued bonds are the mainstay of pension portfolios, because investment managers on the whole have concluded that asset values should parallel the fixed liability of the fund.

However, the author maintains that state and local government bonds are, in effect, ruled out by the tax status of pension funds. This type of bonds ordinarily yields less before tax than quality corporate and United States Government securities. They attract investors with high tax rates because interest on them is exempt from Federal income tax, and their after tax yield to these investors is higher than that on fully taxable corporate and Treasury bonds. Therefore, pension funds, whose investment income is tax free, have no incentive to accept the lower before-tax yield of state and local government bonds.

Benefit payments are the only significant outflow of cash, and they are tied to employee retirements, which are actuarially predictable. This is a primary reason of the shift to common stocks to hedge against inflation. There is no danger of having to sell a stock at depressed market levels to meet a expected demand for cash. Some other pertinent observations growing out of the research by Mr. Andrews include these:

No Curb on Equity Investments

Pension trusts, unlike most financial institutions (except investment companies) are not subject to regulations which severely limit or prohibit investment in common stock. Because a substantial portion of total pension assets are governed by trustees domiciled there, New York has the most important State fiduciary laws on these trust funds. A 1950 law in effect permits trustees to invest up to 35% of a trust's assets in securities not on the legal list.

This generally is taken to mean that up to 35% of a discretionary trust may be allocated to common stock. There are two reasons why pension fund managers have hedged against inflationary investing on common stocks. Increased living costs are almost sure to be manifested sooner or later in employee pressure for expanded pension benefits. Therefore, increased benefits can be financed in part by earmarking more of the pension portfolio to common stock, which it is assumed will rise in value as commodity prices increase.

The MIT Professor says one example of the power of increased earnings is that an increase of 1% in the return on a portfolio will, over 40 years, decrease costs by about 20%, or raise benefits by about 25%. He also says labor unions exercise some investing influence when they have a choice in selecting trustees for their funds. On the other hand, unions rarely participate in the choice of trustees in bank-trusteed funds. Employers almost exclusively control the choice of bank trustees.

The tug-of-war for pension business, said the article, has shown up in recent years in attempts by life insurance companies to obtain concessions from the Massachusetts and New York legislatures to permit segregation of pension fund money from general assets, presumably for investing in modes more suited to pension objectives than are customary life insurance portfolios.

Impact on Security Markets

The fast growth of pension funds has led to widespread concern over the ramifications of their purchases in the securities market because of the great magnitude of these purchases and their concentration on high grade securities.

The author points out that the volume of Government securities held and traded by corporate pension funds is small compared with the Government outstanding debt. Such holdings were slightly in excess of $2.5 billion at the peak in 1955. Since then they have fallen by about $0.6 billion. Moreover, it has been unusual for pension funds' holdings of Government securities to change more than $100,000,000 in a single quarter. Thus, in quantitative terms, it is unlikely that pension funds are large enough to affect the Government securities market appreciably.

Corporate bond holdings by pension funds is under 10%. Nevertheless, the rapid growth of the funds and their emphasis on corporate bonds has made the rate of their bond acquisitions second only to that of life insurance companies, said Professor Andrews.

Martin's Warning

Meantime, on Capitol Hill the battle continues between the Eisenhower Administration and a segment of the Democrats over the lifting of the 4¼% ceiling on United States Treasury bonds. Democrats in the House are maintaining that they will not yield to the request of Treasury Secretary Anderson and William McChesney Martin and scrap the interest ceiling. In a thought-provoking letter to Representative Richard M. Simpson, ranking Republican on the House Ways and Means Committee, Mr. Martin, Chairman of the Federal Reserve Board, said unless the ceiling is lifted many thoughtful people at home and abroad will question the ability of the American government to properly manage our fiscal affairs without resorting to the printing press.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"And I Know Who Did It — My Wife!"

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John F. Fox has become affiliated with Shearson, Hammill & Co., 208 South La Salle Street, members of the New York Stock Exchange. He was previously with Merrill Lynch, Pierce, Fenner & Smith, Incorporated.

COMING EVENTS

In Investment Field

Aug. 6-7, 1959 (Denver, Colo.)
Bond Club of Denver 25th anniversary dinner and field day to be held jointly with Denver Investment Bankers Association Group (dinner Aug. 6 at Petroleum Club; field day Aug. 7 at Columbine Country Club).

Aug. 9-21, 1959 (Charlottesville, Va.)
School of Consumer Banking, University of Virginia.

Aug. 14-15, 1959 (Detroit, Mich.)
Basis Club summer outing at St. Clair Inn and Country Club, St. Clair, Mich.

Aug. 19-20, 1959 (Des Moines, Iowa)
Iowa Investment Bankers Field Day at the Waionda Country Club.

Sept. 17-18, 1959 (Cincinnati, Ohio)
Municipal Bond Dealers Group of Cincinnati annual outing — cocktail and dinner party Thursday at Queen City Club; field day, Friday, Kenwood Country Club.

Sept. 23-25, 1959 (Milwaukee, Wis.)
National Association of Bank Women 37th annual convention at the Hotel Schroeder.

Sept. 28-29, 1959 (Toronto, Canada)
Association of Stock Exchange First Board of Governors meeting at the Royal York Hotel.

Oct. 14-17, 1959 (Philadelphia, Pa.)
Consumers Bankers Association 39th annual convention at the Warwick Hotel.

Oct. 20-23, 1959 (Hollywood-by-the-Sea, Fla.)
National Association of Supervisors of State Banks annual convention at The Diplomat Hotel.

Oct. 22, 1959 (Cincinnati, Ohio)
Ohio Group of Investment Bankers Association annual fall meeting.

Oct. 25-28, 1959 (Miami Beach, Fla.)
American Bankers Association Annual Convention.

Nov. 1-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention of the Boca Raton Club.

Nov. 29-Dec. 4, 1959 (Bal Harbour, Fla.)
Investment Bankers Association Annual Convention at the Americana Hotel.

April 6-7-8, 1960 (Dallas, Tex.)
Texas Group of Investment Bankers Association of America 25th annual meeting at the Sheraton Dallas.